The "SOCIALISM" of NEW ZEALAND

ROBERT H. HUTCHINSON

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BY

ROBERT H. HUTCHINSON

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PREFACE

STATE Socialism is a condition of society which seems at present to be the goal toward which Capitalist society is progressing. It is, in one way of looking at it, a merging of the governmental forces within a nation, and the construction of a new and more closely knit society out of the individualistic and competing elements within it. There is clearly a tendency in industry and in government to concentrate their powers and eliminate the loose, decentralized elements which work against their efficient management. We are all being bound together by a new order of things, a condition which has beneath its structure a most virile, economic foundation.

Neither is this growing State Socialism an isolated thing, peculiar to any one country or section of the world. It is impossible to point to any one place and say, "There we have State Socialism," or "There we have pure Capitalism," or "There we have pure Socialism," for no one place is so constituted as not to have elements of all three conditions in it. The fact to be grasped is that this economic phenomenon is a progressive, growing thing, not anywhere an accomplished fact. It is a "becoming," not a "being." It is a thing we are moving toward, and what we are concerned with now is rather the way we are getting there than a study of what it is actually like when reached. The value of a glimpse into a country like New Zealand is that we can see a little what it is likely to be further along the road than we ourselves are at present.

Following upon the rapid development of Capitalism, and as a natural reaction against its evils, has come the phase of government regulation and control of industries. The invention of machinery and of labor-saving devices, and the rapid growth of factories and the change in social life which accompanied them, meant at the same time the rise into power of a group of capitalists controlling things much as they chose. It was the era of *laissez faire*. Then followed the advent of the "people" into the control of government and the regulation of industrial conditions through the government. The political history of the last century is the story of the growth and extension of the governmental machinery into new kinds of activities and broader fields, and of the growing complexity and economic power of the State. New things belong to the State. Where before it had only to protect the nation and preserve the rights of the individual, it has now the business of operating some industries and controlling others, and of assisting its citizens or subjects in things which had previously been left to charity.

All these things must be considered within the scope of Socialism, but they are by no means all of Socialism, though some people have mistaken them for such. Communities in which the government has taken to itself the control and management of varied businesses and has pursued a "paternalistic" trend in legislation are often termed "Socialistic." But the term has only half its full meaning and is generally misleading. The very kernel of Socialism may be wanting. True, the Government may own and control business, but who owns and controls the Government?

What the effect of the present war will be on the structure of future society is not so easy to foretell. But from the nature of the measures taken by the belligerent governments it should be of interest to the person who

appreciates the difference between Socialism and State Socialism. When one thinks of Germany nowadays one pictures a powerfully centralized mass of people divided roughly into those who command and those who obey, and the controlling power of it all, the government. So it is also with the other warring countries, and so it is becoming, though with less pronounced rapidity, among the nations at peace. State Socialism seems to be on the horizon.

New Zealand is a good place in which to study State Socialism because there is more of it there than in perhaps any other place in the world. Some have studied New Zealand because of its "Socialism" and written much on the success of it all. And we might conceive of persons writing on "Capitalism in New Zealand" because there is Capitalism there also. Everything is a matter of degree, and often quite opposite things are found side by side. Therefore, he who turns his attention to New Zealand must be prepared to find things much the same as they are in other civilized countries. In New Zealand only the degree to which this or that has been developed, the distance along which it may have progressed, is different.

This book is the result of an eight months' visit made to New Zealand with the idea of investigating its institutions. It had not been my intention to publish a volume on the subject of New Zealand, but as I grew to know the country I felt very strongly the need of a book which would treat the subject from a new and very much neglected point of view. The purpose, then, in publishing it is to give some account of the working of New Zealand's advanced legislation, but more especially to dispel the prevalent idea that her progressive institutions have in any way solved the problems of capital and labor.

It is now twelve years since Henry Demarest Lloyd wrote *A Country Without Strikes.* That book appeared

at a time when other countries were taking an interest in New Zealand's radical measures, and it helped to stimulate investigations and further publications. Not only the arbitration of industrial disputes was made the subject of discussion, but other features of the colony's administration were eulogized, and New Zealand became known as a political and sociological laboratory. The enfranchisement of women, the Government ownership of railroads and mines, and social legislation were pointed to by reformers and Socialists as eminently successful tests of the measures they advocated, while capitalists and the more conservative economists foretold the collapse of the rash young colony.

Upon reading the literature of the past on the subject and comparing its trend with present conditions, one cannot help receiving the impression that much that was prophesied for and against the venture has not come true. Yet it is just this literature which is responsible for the current ideas of New Zealand's success, many of which ideas are entirely erroneous.

The events of the past decade and particularly of the last two years fully prove that what was said of New Zealand at the time that Mr. Lloyd wrote cannot be repeated with any truth today. Certainly, in the face of the serious industrial upheaval of November-December, 1913, the title of Mr. Lloyd's book would no longer be valid. Obviously the subject of industrial arbitration must be considered in a new light. Likewise the effect of the extensive business undertakings is assuming a somewhat different aspect, and the humanitarian measures, once regarded so approvingly, are now thought of with less enthusiasm.

In fact New Zealand has been entering upon a period of transition from one epoch to another. The era of her so-called "Socialistic" legislation is past and the true

results of those measures are becoming apparent. In a mild way, we may say, New Zealand has been showing the first symptoms of entering upon a revolutionary phase, that is, in contradistinction to the evolutionary phase which she has completed. She can proceed, I am convinced, no further along the lines which have guided her up to now; no further, I mean, and at the same time maintain her comparatively high standard of prosperity.

Mr. William English Walling, in his books on Socialism, has shown more clearly than perhaps any other writer, that before true Socialism will be reached nations will pass through transitional periods of State Capitalism and State Socialism. New Zealand's evolution and her present condition contain many facts which bear out the truth of this forecast and illustrate its operation. It seems, therefore, a singularly opportune moment for publishing a book on the subject, and the only apology I offer in adding it to the already rather extensive literature on the subject is the need of a revaluation of New Zealand's success, and that I would gladly grasp this opportunity to direct the attention of Socialists and others towards the dangers of "Reformism" and "State Socialism."

I have thought it necessary to devote a chapter to a brief outline of New Zealand's evolution, because without some appreciation of the nature of her economic development and the kind of problems the early settlers had to solve one is apt to fall into the error of believing that the colony was founded by a handful of idealists—as was Brook Farm, for example. There has also been allotted considerable space to an account and criticism of the recent strike because it seems to be the culmination of a series of events and the eruption of the most important forces which have been current in New Zealand for the last decade. It was no spontaneous or fruitless event, it was rather a symptom of the colony's present state.

The subjects of industrial arbitration and woman suffrage are discussed more in connection with New Zealand than many of her other institutions. For this reason there has been given over considerable space to the former, and the latter has been treated in a rather broader way than its purely political significance would warrant. The nature and effect of her social legislation has also commanded wide interest, and I have therefore devoted a proportionately liberal space to its consideration. Much has had, therefore, to be omitted.

A word as to the definition of "State Socialism" might not be out of place. Mr. Walling, in his *Progressivism and After* makes a distinction between State Capitalism and State Socialism. The central feature of the former, he says, "is the development of the small capitalist class and of its control over government;" while that of the latter "is the development of a class of more or less privileged wage or salary earners who are either employed directly by the ever-expanding government or owe their superior advantages, in some way or other, to legislation." The State Socialism of New Zealand would not exactly fit either of these definitions. But should we follow Mr. Walling's terminology, "State Capitalism" would more nearly suit the case of New Zealand. We should have to modify it, however, by saying that there is no "small capitalist class" pure and simple which rules. There are large corporations and companies which are very powerful.

I owe a great deal of thanks to my friends in New Zealand who did so much to help me. And the chapters on Woman Suffrage and Social Legislation are mostly the work of Delia Hutchinson, my wife. I must thank her, too, for her intelligent and severe criticism.

ROBERT H. HUTCHINSON.

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THE HISTORICAL EVOLUTION

CHAPTER I

THE HISTORICAL EVOLUTION

THE scope of New Zealand's history, as far as it concerns our purpose, falls within the last fifty years. Up to the year 1870 the labors of the early settlers were confined to the solution of the problem of how to obtain the bare necessities of life and to secure a foothold in their new habitation. Not only had the land itself to be conquered and new territory opened up, but the hostile attacks of the natives had to be guarded against as well. The former problem would have been by itself comparatively easy of solution, for the soil of the new country was fertile and its harbors good, but the presence of a hostile race retarded progress and necessitated an appeal to the home country for assistance. By 1870, however, the principal ports had been occupied, some of the best agricultural and pastural land was in use, the native tribes had been subdued, and the rudiments of a government established. The critical period was successfully passed; the settlers had laid the foundation of a nation.

By 1870 there were ten distinct settlements which, judging their relationship by their facilities for communication, might have lain thousands of miles apart. So-

cially they were equally disunited, and their governments and institutions were also unalike. Though there was a central government for the whole colony, little interest was taken in it and the autonomy of the provinces was jealously guarded. There was no national sentiment.

The year 1870, however, marked a change. The wars against the natives were terminated, and the colony's success, together with the discovery of gold, attracted a swarm of new settlers. The gold "boom," however, proved to be an exaggeration, and when the bubble burst a horde of men were left in the mines and the cities without work. There was no export of meat and very little of dairy products, and the imports far exceeded the exports; furthermore, there was a large national debt. On the other hand, though things appeared to have reached a condition of stagnation and many lost courage and began to emigrate to the more promising shores of Australia, there were those who realized that New Zealand was not by nature a poor country and that if the momentary depression could be safely passed the future would realize the potentialities of the land. An unlimited source of wealth lay in the forests and fields and only awaited the liberating energy of the settlers. Only the initiative energy of capital and labor was wanting. New Zealand must have more money and more men.

The colony now entered upon a period of borrowing and building. A systematic scheme for the transportation of immigrants was followed, and artisans, farmers, and prospectors of all sorts flooded the country. Men were set to the work of construction and it was not long before railroads and telegraphs were extended, and new ports all along the coasts opened up. How important the construction of the railroads was may be appreciated when it is realized that the size of an industrial community and the political structure based upon it, depend upon the ex-

tent of its transportation facilities. The effect upon New Zealand was momentous. Measures, too, were passed enabling the workers to obtain homes in the country and to turn their efforts into farming and sheep raising. To this period belong the Insurance and Public Trust Offices, and the Village Settlement Act. Rapidly the country yielded a mine of wealth, and where before New Zealand had been but a struggling little settlement, an economic nonentity, she now became a member of the commercial world.

It was ever the dream of the early settlers to establish themselves securely upon large tracts of land and to found a sort of hereditary aristocracy, so to speak, after the fashion of the English gentry. Thus far the scheme had worked favorably. At their call men had come, opened the land for them, settled upon it and worked it for them, and were producing wealth for the community. The threatening and perilous gaps which had impeded this would-be aristocracy had been successfully bridged; but only to lead to another difficulty—the new-comers demanded their share in the spoils and in the government.

All these changes necessarily worked their effect upon the character of the people. With manhood suffrage attained and the country well on the road to prosperity, people sought its shores as much for the economic liberty it could give them as for the wealth and adventure which attracted the first comers. Most important was the effect upon the central government. Hitherto weak and without policy, it was now looked to for the general management of these affairs, and grew, through the exercise of its powers, strong. Of course, there were centrifugal forces at work, operating to maintain the autonomy of the provinces, but in 1879 they succumbed, and the provinces were abolished. With the fall of the provinces there arose the two parties which still dominate political life. One

stood for the maintenance of things as they were; the other for further borrowing and more progress. The spirit of the latter was in the air and the process of borrowing and building went on apace.

The rush onward was almost blind in its impetus. Though laborers came pouring into the country it became increasingly impossible to absorb them, and the ranks of the unemployed began to bulk large. Eager for immediate returns, the provincial governments had thrown open large tracts of land for settlement but at prices which enabled only those who were possessed of capital to purchase. A wave of speculation resulted and little by little the small holder became a negligible quantity. This was the era of large estates and the rule of the squatter oligarchy.

It seemed, however, that New Zealand had pulled herself out of the dark days of 1870 only to find herself during the early 80's in still more hazardous straits. Excess of immigration had filled the country with unemployed, and the markets were glutted with the primary products of the land. Borrowing had been going on apace but there were no means within sight of repaying even the interest. Things seemed very black indeed.

Perhaps the lowest state of depression in the history of New Zealand was reached in the year 1884; and yet it was just in that year, dramatically enough, that an invention was put to practical use which not only saved the young colony from bankruptcy but gave to both the country and the city populations a new impetus and brought into the colony a goodly revenue. That invention was the process of refrigeration by which meat, butter, cheese, and other such perishable commodities could be transported without any appreciable deterioration over great distances and stored for comparatively long periods. Its importance to New Zealand can hardly be overesti-

mated. Butter, cheese, and meat poured forth from the country into the London markets; new farms were established to supply the demand; with the return of wealth new and more efficient methods of production were employed, and a labor market was opened both in town and country for the unemployed. Within twenty years the value of the cheese export had multiplied by almost 311, of butter by nearly 202, and the meat export rose to £3,520,000 where before it had been nothing.

Meanwhile beneath this dazzling prosperity the forces which had worked for manhood suffrage in the previous decade were gaining in strength and were beginning to take on a new aspect. The new energy set in motion by the institution of refrigeration transformed the population from a stagnant mass into a lively and rapidly changing body, with business acting and reacting more briskly than before. Things changed rapidly, and with them changed people's social relations and political views. The lion's share of the prosperity was falling to the large landed proprietor, and the humbler citizen, whose ambition it was to possess a bit of the soil himself and share in the good fortune, saw in the large holdings his chief obstacle. Likewise the city laborer, struggling against rising prices and low wages, felt that he too was not receiving the just returns of the prosperity which he helped to create; and, recognizing the plight of the small farmers, realized that the source of their ills was much the same as his. A feeling of common purpose arose between these two classes and they combined for the realization of their aims through political instrumentality.

It was in the year 1890 that their efforts took effect and ushered in a new era for New Zealand. Several influences combined to make that year a turning point. In spite of the prosperity introduced by the use of refrigeration it was the prosperity of a minority, and large

numbers of people, discouraged by their prospects, left the colony. The departures were now in excess of the arrivals. The land question was becoming acute, taxes on the small farmers were beginning to chafe, and absenteeism of the worst sort was becoming rife. Henry George in the same year made a lecture tour of Australia, and new theories of land-tax and values were in the air. Socialist pamphlets were current and there was an outcry against labor conditions which was stimulated by the revelation of sweating in Dunedin. Meanwhile, trade unions had developed and were becoming active. In 1890 occurred the great maritime strike of Australia which momentarily unbalanced its trade and stirred labor circles to their depths. Hopelessly defeated, the trade unions turned their efforts into political channels and joined their forces to those of the discontented farmers. That year, too, was the first in which manhood suffrage and the one-man-one-vote principle, together with direct nominations and the alphabetic ballot, went into effect. These were all contributory causes of what was to come, and it must not be thought that the political revolution was brought about by the action of a "labor party" electing "labor" candidates. The actuating force was a combination of trade-unionism and agricultural uprising.

The result was a decade of that progressive legislation which awakened such widespread interest and misgivings, and suddenly made New Zealand famous. Land was resumed and large estates broken up, progressive taxation of land values and of incomes followed, industrial arbitration was instituted, employers' liabilities, pensions and factory acts were passed, among many others, to protect the workers, and the State continued to extend its activity into the field of business. The twofold obstacle of landed aristocracy and ruthless employers was removed, and men of humbler means received their opportunity. Where

there had been acres of unused soil there were now hundreds of busy little farms, and where there had been industrial strife and oppression there was now peace and comparative freedom. It was this cycle of welfare which brought forth those numerous eulogies which have unfortunately done so much to obscure the real truth about New Zealand.

It was a prosperity which could not last. In one sense the crisis of 1890 might be called a revolution, for it caused the transfer of power from one interest to another. Yet in another sense it was no revolution, for though the seat of power may have been shifted, the economic and political structure of society remained in all essentials the same. Dominance had merely been transferred from the shipping companies back to the farmers; but this time it was to the smaller farmers who had enlisted the city laborers in their cause.

It was generally supposed of New Zealand during those years that labor was uppermost; but such was by no means the case. True, the unions had obtained a grip on their antagonists which for the moment was most effective in securing for their members a share of the profits; but the illusion must be dispelled that New Zealand was a socialistic state owning and administering her industries on a collectivist basis. The gap between capital and labor was there as truly as anywhere else, but it had diminished to such an extent that casual observers failed to really see it. Neither is it entirely correct to believe that the employers were forced by labor, in every instance, into granting concessions. Quite as true was it that they saw the advantages which would acrue to themselves from a contented and healthy working population where labor was so valuable, and were not only ready to grant concessions but even proposed such measures themselves. In 1906, however, under the Ward administration, a new

policy was inaugurated. Social legislation, political reform, the extension of State activities became a thing of the past and progress seemed to have stopped. "We have gone far enough," was the cry, "let us rest and enjoy our prosperity."

The Liberal government continued their administration along these lines until 1912. By that time the political make-up of the Liberal Party had somewhat changed, for it now represented the manufacturing and shipping interests rather than the farmers. But the latter had gathered strength, and with their recapture of political supremacy the pendulum again swung in the other direction. Within their ranks the more influential were the large holders who wanted, naturally enough, the freehold and the abolition of the restrictive measures which had bound them in the past. The result was a reaction which has made itself felt in every department of New Zealand's life and has been the immediate cause of the recent strike.

Such in brief is the history of New Zealand. So very different in many respects has been its development from that of larger countries like the United States that it has been difficult for many people to understand New Zealand's evolution and fully to appreciate what she has done and what she has failed to do. It would not seem out of place, then, to point out a few comparisons and contrasts between the development of the United States and New Zealand with the purpose of better understanding the latter's position; and incidentally it may help us see more clearly which way we are going.

At the time of their early settlement and development two radical differences lay between the factors which determined the destinies of the two countries. One lay in the nature of the countries themselves; the other, in the ideas which the early settlers brought with them.

The wonderful land which greeted the American pioneer was, to all intents and purposes, limitless in extent and inexhaustible in its yield. There was room for many millions more of population and the resources seemed so generous that conservation need never enter into account. With a small population spread over this tremendous area centrifugal forces naturally predominated and individualism tended to develop. By the time that the rapid industrial and economic progress of the United States set in, there had already been accumulated considerable capital which lay in the control of individual men and only awaited the influx of labor to set it at work. Once the opportunity had come, the capitalist wanted freedom to expand and conquer the riches of the country. He had no use for the government except as a means of protecting private property. Competition was his key-note, and he did not need the help of his neighbor.

In New Zealand it was different. The country was tiny and though it proved fertile the settlers felt its limitations at once. If the colony was to be populated and developed it must be done systematically and with forethought, and there must be no waste. The abolition of the provinces and the supremacy of the central government might correspond, roughly, to the events of 1789 in the United States, for then it was that the two countries respectively evolved a national self-consciousness and a united policy. But at this point the paths of their progress diverge, America along the lines of free individualism, New Zealand along those of collectivism. The ready money which in America was at the disposal of a handful of men, in New Zealand was not forthcoming. Advancement must be made through collective action and borrowing. In America the great land-holders and manufacturers did not inhibit the industrial pioneer; with a little energy he could be one himself, for there was plenty

of room. In New Zealand these elements were an obstruction to progress, and the work of their abolition served to promote the feeling of mutual helpfulness among the rest of the population. If the Americans had no need for the government, the New Zealanders had every need for it; it was theirs, they had made it, and they would use it.

The other radical differences underlying the development of the two countries is to be found in the economic and political philosophies of the respective settlers. It was religious and political disabilities which drove people out of Europe in the 17th and 18th centuries, and the settlers of the American colonies came inspired with hopes of freedom in those respects. The United States was founded upon the theory of Democracy, and the first half century of its history was a vain attempt on the part of the masses to realize that Democracy. The industrial development of the United States, however, took place during the reign of the *laissez faire* theory of economics, and any interference of the Democracy with business independence would not be tolerated.

Like America New Zealand was populated by men and women who were driven by force of circumstances from their homes. Her shores, however, were sought by persons who left their homes, not because of religious or political persecution, but as a result of economic pressure. They were not deluded by any ideal of Democracy; those times had passed. They did not want freedom of worship or equality at the polls; they wanted conditions and opportunities under which they could make a living; they wanted to escape the grip of the financier and the monopolist. Furthermore, the doctrine of *laissez faire* was rapidly giving way to the idea of state intervention and even of state control. It would not be an unheard-of thing for the government to control the actions of the

labor employer, and for the State itself to enter business would not be a very radical step. Besides, if the State was not rich enough to undertake an enterprise, who was? With these conceptions and sentiments in their minds, it is not difficult to understand how it was that the rapid development of what has been termed "State Socialism" took place in New Zealand.

To the rest of the world it seemed as though New Zealand was working out her problems of economics in the same way as America had struggled with her Democracy in the early century. Indeed, it would not be so fanciful to liken H. D. Lloyd, extolling the merits of this new "Socialism," to de Tocqueville eulogizing the success of the American "Democracy" in 1832.

Other less important points of comparison and contrast no doubt will present themselves. The homogeneity of New Zealand's population facilitated matters immensely. There were no such differences, for example, as existed between Maine and Georgia. This uniformity was true also of its early economic life, for farming was the predominant interest, manufactures amounting to almost nothing. In early times the wars against the natives were carried on by a central authority and the whole community co-operated in the matter; whereas in America the wars against the Indians were waged by little separate groups, sporadically, and for a long time without united action. There followed no tremendous influx of population to create a social surplus, and the economic value of a man remained high. Moreover, New Zealand, being a part of the British empire, has been relieved of foreign and international matters by the home government, and has, therefore, been able to devote more attention to her internal development. These are all, to be sure, determining factors, but to understand New Zealand's course of evolution one must bear in mind the two most impor-

tant—the size of the country, and the ideas and sentiments which the early settlers brought with them.

The New Zealanders have not evolved any new form of government with which to administer their progressive State. They were not political doctrinaires and they came, as has been pointed out, with no new theories of government. What opinions they had on the subject, we might say, stood midway between the 18th century doctrine that the less the government governs the better, and the 20th century philosophy with the principle that "that government is the best which provides the most." But, as they continually impress it upon you, they had no theories; they were practical men, doing the most expedient thing as it turned up. For their purpose they found the English model—with a few alterations—suited them admirably. Aside from woman suffrage, the use of the second ballot and the referendum on local matters, the machinery of government cannot be said to be advanced. The points of interest which the country's political history has brought out lie in the functions of its government rather than in its organic structure.

RAILWAYS, POST AND TELEGRAPH, AND OTHER STATE BUSINESS

CHAPTER II

RAILWAYS, POST AND TELEGRAPH, AND OTHER STATE BUSINESS

1. Railways

RAILWAYS can play a larger part in determining the distribution of wealth than perhaps any other factor in our economic life. They are not only a medium for the founding of large fortunes but they affect more diverse sections of the community than do other businesses. The extension of track into the country raises rent, not only rural but urban, and may determine the location of cities. The scope of his market, for the manufacturer and trader, is largely dependent upon the railroads, and for the general public the same may be said of its means of communication. Much depends, in the growth of a country, upon the nature of its railroads. Owing also to the fact that increased business does not usually mean increased expenses to railways, they respond quickly to waves of prosperity and are, therefore, great mediums for speculation. It was of no small importance, therefore, to New Zealand that its railroads were at an early date made public property.

At the time when this was done Parliament consisted mostly of landholders, and the class they represented were the most zealous in demanding railways as a means of national development. They would be the surest to gain. The railway itself might not pay but land-values would go up. Merchants, manufacturers, and laborers joined also in the general demand for development, and

under the Vogel administration in 1870, New Zealand began her system of state railways.

Already some of the provinces had constructed their own lines and these were taken over by the central government. Gradually more were built but the process was slow because of the lack of capital and the great problems in engineering due to the nature of the country. The development was carried out judiciously, as far as plan is concerned, and the main centers are, as a result, directly connected where it is possible, and receive the fastest and best service. New Zealand has only 2.4 miles of railway for every 100 square miles of territory, while the United States has 7.7; but it must be remembered that New Zealand's communication and transportation is largely done through its coastal service, all of its greater cities lying along its coasts. The narrow gauge of 3 ft. 6 in. prevails and the cars are therefore small compared to the American or European ones; but considering the hilly country and the comparatively light traffic which they bear they quite serve their purpose. The amount of accommodation, moreover, for the population exceeds that of any country in the world. For the passenger, the first class is very comfortable, while the second, being more cramped, is not so comfortable for long journeys. The fares average for the first class 1½d. (3c.) a mile, and for the second, 1d (2c.). Sleeping accommodations have only lately been established but are of good order. The trains, however, run slowly and stop for long intervals at the stations, so that tardiness is easily made up and is therefore rare. The service is not frequent between stations and there are very few expresses.

To compare the New Zealand railroads with the American would involve the recognition of a great many considerations. The population and the sum total of New

Zealand's business are, of course, comparatively small; its geographical outline, as has been said, has developed its coastal trade; its size has not necessitated the perfection of speed; and its topography has in many parts prevented it. Furthermore, New Zealand's economic life is geographically more uniform in nature than is that of the United States, and the various sections of the community are not so mutually dependent upon rapid means of intercourse. The United States has her East of small farming and commercial centers, her West of wheat fields and cattle ranches, and her South of cotton plantations. New Zealand knows no such marked divisions. There is not the commercial difference between Dunedin and Auckland as there is, for instance, between New York and Chicago. For these reasons one does not feel, as one travels, the great importance and the immense power of the railways as one does who journeys from New York to Chicago. Beside the "20th Century Limited" the Wellington express to Auckland seems very puny. But the New Zealander seems content. He does not suffer from the megalomania of the American, and his criticism of the railroad is not that it shall be greater and more luxurious but that there shall be less delays and more extension of track into unopened country. He does not want club cars with shower baths; he wants more tracks.

In 1889, because of financial losses, the management was put into the hands of a commission for the purpose of giving it good business methods. Unfortunately, the commission began its career during a period of industrial depression and little of the hoped-for gains were realized. It acted independently of politics and of public opinion and grew so unpopular that in 1894 it was abolished and the management placed in the hands of a Railway Department. That system still obtains. There is a general manager but the policy of the management is in the hands

of the Minister for Railroads who is also a member of the Cabinet.

With few exceptions the passenger and freight rates are uniform throughout. There are special rates for school children and friendly societies, workmen's tickets, and seasonal tourist rates; also goods of a special class, such as lime for fertilizer, are carried at lower rates or free, but beyond this there is no discrimination made between shippers. The large industries enjoy no rebates, though what concessions there are favor the farming class. A system of tapering freight rates giving lower rates for greater distances prevails, but there is no attempt to raise or modify rates to accord with the needs of populous or sparsely settled districts, or to give certain localities special benefits. There is no flexible system by which the railroad may accommodate itself to the changing character and needs of the community. This is a serious drawback, for business must adjust itself to the railroads and not the railroads to business. The country remains as yet too split apart into sectional interests to realize the advantages of a flexible system, and no Cabinet has as yet dared introduce the reform into their program.

The railways have been an expensive enterprise and their cost has presented no easy problems. The fact that the rails must often run through difficult country, that the materials must come from a great distance account largely for this. Furthermore, the Railroad Department co-operates with the Public Works Department in giving jobs to the unemployed, and often work will be done by hand which otherwise might be accomplished more cheaply by machinery. The gross earnings have increased but the gross expenditure has gone up in greater proportion. For this several causes have been suggested: increased price of materials; increased rate of wages; undue

concessions demanded by the public in fares and freights; and lack of efficiency and initiative in the management. It is recalled, too, that some lines were built in advance of requirement, while the construction of others was delayed where they might have been earning a profit; and that the rigid system of rates prevents profits. "The policy of the Government," as Sir Joseph Ward has said, "has been throughout to regard the railroads as adjuncts to the settlement of the country, and to look upon the earning of a large profit as of minor importance." Indeed, this coincides with the attitude of the early settlers who, as we saw, clamored for development at all costs. The reaction set in, however, and the high cost of maintenance accounts for the arrested development of the railroads during the last two decades.

This is in some way similar to the cycle through which most railroads pass, a period of transition between the single and the double track line. The company is overworked with its former outfit but has not capital or business enough to build further. A railway should profit by growing traffic, but in the case of New Zealand the prosperity of the last twenty years has benefited the shipping companies rather than the railroads. In one way, certainly, Government ownership has robbed the railroads of a golden opportunity. Where free competition prevails railways can, in times of increasing business, so adjust their rates in different quarters as to maintain themselves against competitors, and recoup themselves by charging at other points "what the traffic will bear." The rigid system of rates demanded by the public in New Zealand made this impossible, and while the railroad was paralyzed, as it were, the shipping companies reaped the benefits. And they will continue to reap the benefit until the public realize the situation.

It is maintained by economists who have studied the

Australasian systems that to have non-paying railroads is bad economy. Countries, they say, which enter only partially into state enterprises can afford a deficit in one department; but such a country as New Zealand where the Government runs so many institutions cannot allow them to be carried on at a loss. As governmental property pays no taxes the deficit must fall on taxes, and thus as governmental property increases, the onus on the taxpayer will become unbearable. This, I grant, is quite true, but true only so long as the present system and methods of taxation are in force. If the burden of taxation fell less on the needy consumer and more upon those interests which financially profit most by the existence of the railways, i.e., manufactories and landed interests, the fear of taxation ruining the community would not bulk so large. If the success of the railroad is to be judged by its yearly profits, the real purpose is lost sight of. Its worth should be measured by the extent to which it benefits the community. The impediment to railroad growth was due to the fact that the more influential interests were deriving satisfactory benefits from its administration, and the control of the government was in their hands. There have been plenty of small farmers, and are today, who clamor for extension of track into the country, and much unused country would be opened up by such extensions. Intelligent planning and a flexible system of rates would rapidly increase the business of the railroads and cut down the deficit. New Zealand is not a poverty-stricken country; she can well afford good railroads and to have them run upon very liberal lines. The obstacle is that too much of her wealth goes into private purses, notably the shipping companies. They, perhaps, more than any other factor hinder the progress of the railroads. It is simply another example of the difficulty of government management where the state owns only a

portion of the large businesses and where the government is in the control of a minority.

The government is at best in a difficult position. It must hold its equilibrium amidst the demands of the public for concessions, of a district for the further construction of lines, of employees for increase in wages, and of the Department of Labor to supply work for the unemployed. Bits of line here and there have been constructed in response to political pressure and have not been paying. Every petty district demands concessions or extension of lines; the Ministry is continually being cross-examined in the House by the members. On the other hand, only a certain sum is available to the Department each year for expenditure, and it cannot respond to the demands made upon it.

Numerous solutions to the problem are on foot. Some propose universal free transportation, arguing that the charge for traveling on a train should be no more than that of traveling on an elevator—a creditable aim but one hardly practicable as yet. Others suggest the reinstatement of the Commission administration, claiming that it had not, in its earlier administration, been given a fair trial. Another scheme is the "zone system" of rating, proposed by Mr. Vaile, by which urban districts would pay relatively high to rural ones, the object being to throw the concentrating city population back upon the land. Other proposals deal with the borrowing of money from England.

In my opinion these plans cannot be productive of any very far-reaching results. What is needed is a political party in power, which, having adjusted the incidence of taxation, so that the burden may rest increasingly upon those interests which are best fitted to bear it, will then raise the necessary capital and proceed upon a scheme of progressive construction. With the yearly increase

in population and wealth there should be no difficulty in so administering the system that the community, even in the face of competition by the shipping companies, will not suffer from a deficit.

2. Post and Telegraph, etc.

"There is probably no country in the world," says the Year Book of 1913, "where the machinery of the Post Office is put to a greater use or more varied use," and, indeed, in the handling of mail alone the total number of pieces per inhabitant would make New Zealand rank high among the nations. Moreover, the Department is efficiently managed and gives the people thoroughly good service. The infrequency of trains and the difficulty of rural delivery delay rapid intercommunication, but the Post Office, as far as it goes, is prompt and reliable. Rural delivery has been expedited by the institution of postmen mounted on motor-cycles, and the low telegraph rates also help out the situation considerably.

The importance of the Post Office as a factor in public life in New Zealand is only realized when one considers the various elements which it embraces. Besides its primary function of distributing mail it is also a telegraph and telephone office, an express office, and a savings bank. Furthermore, in small communities it may act as agent for the Insurance and Pension offices and for the tax-collector, as well as being a polling place where commercial travelers and others away from home can cast their ballots. Wireless telegraphy has recently been added to the service, and there is a scheme on foot whereby the Post Office may receive orders and cash for State coal. It is by reason of its ramifications and integration and its ability to adjust itself to public needs that in a Post Office lie so many potentialities for public service.

To the small investor the Postal Savings Bank has proved a great boon. Nothing less than a shilling is received, but printed forms are circulated on which stamps may be placed and the whole deposited when the sum amounts to a shilling. This method is encouraged in the schools. Money deposited in one bank can also be drawn upon at another.

In its character of a bank the Post Office furnishes the Government with funds for public purposes without taxation or bonded debts, and the deposits are invested largely in public works. "In accordance with the standards laid down," to quote from the Year Book, "the Post Office is probably conducting the most legitimate banking business in the Dominion. It receives interest-bearing deposits from the public and invests the money received in liquid securities, not dealing in any way with land or actively participating in commercial ventures. . . . It receives amounts for credit of almost every Department in the Government service, and clears them from its central office in Wellington. In fact it performs for the general public and the general Government various duties which, in quite another sphere of activity, are usually performed by a commercial bank." In this way the Postal banking system has undoubtedly been an important factor in the more equal distribution of wealth, for it has not only helped small beginnings, but has cut off a source of speculation and profit for private banking concerns.

In addition to the Postal Savings Banks is the controlling interest which the Government has in the Bank of New Zealand. In 1894 when the Bank of New Zealand was on the verge of failure, the Government came to its rescue and it has since then been a quasi-governmental institution. The Bank has six directors, four of whom are appointed by the Government, and the Government holds £5,000,000 of the stock.

The telegraph and telephone systems have grown rapidly of late, and improvements in equipment and administration have followed. Rates for both services are low—very much lower than in America—and the people avail themselves of the advantage. The number of telegrams per population is greater than anywhere else in the world. As regards finance, however, much the same criticism may be applied to the Post Office as to the Railroads. The telegraph and telephone exchanges are operated at a loss, though the Postal and Telegraph as a whole earns a profit. The Government frankly does not aim at making a profit, but deems it sufficient "if the public is being well served, that the Department is paying its way." (Annual Report 1908-9.)

3. Life and Fire Insurance, Etc.

State Life Insurance was instituted during that eventful year 1870 which saw, under the Vogel administration, the inauguration of so many State activities. It was argued at the time that the business of life insurance was a risky one at best, and that in a new country like New Zealand private companies were liable to fail. A stable method of insurance would be an immeasurable asset to the people, and the State as an insurer could give greater security and lower rates than any private company. The prevailing rates were high and the need of extending the benefits of insurance to people of smaller means was dwelt upon. The scheme also would place additional sums at the disposal of the Government for investing purposes.

The Office, as now constituted, is under the management of a commission appointed by the Government, and the Dominion is divided into districts for administrative purposes, each under the supervision of a local manager. In other respects the business is carried on like that of

private mutual life insurance offices. The Office employs canvassers, and issues circulars and advertisements; it also pays taxes and for its postage and telegraph expenses. All civil servants must insure under it.

The greatest competitor to the State Insurance, when it began operations, was the Australian Mutual Provident Company, and it still runs very close to the Government office. Yet the Office grew rapidly and now, in the total number of its policies and the gross amount insured by policies, it stands first among the twelve large companies doing business in New Zealand. In 1907 it had no less than 38 per cent. of the existing policies. (This applies, of course, to New Zealand business only; the Government Office does not extend beyond the shores of the Dominion.) Lately, however, though its business has not declined it has not increased at the same ratio as that of the private companies. Its working expenses have been relatively low, but this has not been due necessarily to expert management. Mr. Le Rossignol and Mr. Stewart have analyzed the position and show that "the low working expenses of the State Office are attributable much more to slow progress than to any remarkable economy in management." *

The underlying cause of this inability to increase its business is due, it seems apparent, to the competition of other companies. The Government does not give such high bonuses, but it must be remembered that its business is confined to New Zealand, whereas its competitors cover a much wider area. It has also been pointed out that the number of superannuation schemes instituted in connection with the Civil Service has made it difficult for civil servants to insure for large amounts. The various pensions affecting other workers and the growth of the Postal Savings Bank have very possibly had the same effect.

* Le Rossignol and Stewart, *State Socialism in New Zealand.*

It was not until 1903 that the State Fire Insurance Department was inaugurated. Much the same arguments were put forth for and against the scheme as were heard in connection with the Life Insurance Office. The independent companies, it was alleged, had formed a ring and were keeping up prices. No little opposition was offered by the private companies numbering twenty-seven in all, they claiming to have pioneered the business and denying the charge of collusion to keep up rates. The usual arguments about political influence and the unsuitability of the business for government operation followed.

The bill, however, became an act in 1903, and it provided for the administration of the Office by a manager appointed by the Government. There is also a Board of Management consisting of the General Manager, the Colonial Treasurer, the Government Insurance Commissioner, and two other persons. The rate of interest on capital must not exceed 4½ per cent.; and at the end of each triennial period half the net profits must be paid over to the Public Trustee to the credit of a State Fire Insurance Sinking Fund. When enough has accumulated to meet the debentures at maturity the subsequent accretions are to be paid into a reserve fund, and triennially one-half the net surplus profits not going into the reserve fund, are to be divided in bonuses among the insurers. Such, in outline, is the Act.

The year in which the Government began business, 1905, witnessed an interesting contest between the Government Office and the private companies. Defeated in the political arena, they determined to try their hand in the commercial field and united to boycott and undermine the State business. For a time the Government Office wavered but it was saved, not any too soon, by reinsurance from Lloyd's in England. The next year the private companies withdrew their boycott and the Govern-

ment Office was firmly established. Then the Government, taking advantage of its position, ordered that all borrowers from the Public Trust Office, the Advance to Settlers Office, and all other State lending departments take out their fire insurance policies with the State Office. A howl arose from the private concerns, but the Government had won.

Although the premiums are comparatively low and tend to keep down those of independent companies, there is a good deal of dissatisfaction expressed by financiers in connection with the Government Fire Insurance because of its losses. The situation is a difficult one. Undoubtedly the private companies were charging exorbitant rates when the Government Office was instituted to compete with them, but they were no more culpable in this respect than other large businesses. The fire waste in New Zealand is higher than that of Europe and considerably higher than that of the United States. Besides this, New Zealand lies within the earthquake zone, and sections of it, notably Wellington, are liable to disturbances at any time. Thus in comparison with the Life Insurance, the Fire Insurance rests upon quite a different footing, for the death rate in New Zealand is almost the lowest in the world.

4. Other State Business

The administration of the institutions described above are the principal business activities of the State. The more important of the minor ones we may group together and pass over comparatively rapidly.

State operation of coal mines was the outcome of an inquiry made in the year 1899 which revealed the fact that the coal mines of the Dominion were controlled by the shipping ring and that there was a "combine" between

the coal and shipping interests. State mines were opened in 1901 and large coal regions were pre-empted. The State now produces about one-eighth of the annual output. The mines are well equipped with safety appliances, but the miners do not receive as high wages as in other concerns. On the other hand, they are not so much subject to the pressure inevitably placed upon them by privately competing businesses.

There are besides the coal mines, State experimental farms, and farms which are worked as a partial solution to the unemployment problem. That the latter do not eliminate this evil is evident, but they at least enable many who would otherwise be a burden on public charity to pay for their own support. The law requires the maintenance of municipal slaughter houses and the thorough inspection of meat. The State also acts as commission merchant by storing, grading, packing, shipping, and selling such products as butter, cheese, poultry and vegetables. The State maintains hospitals, and sanitaria, and health resorts in the thermal districts. There is also a Government Tourist Office with branches in all the larger cities and along routes frequented by tourists, and there are even State Lime Kilns, Municipal Potato Patches, State Oyster Beds, Vineyards, and free vaccination.

Of a similar nature to State ownership may be mentioned certain policies of State aids to enterprise which New Zealand has pursued. Among these are the Advance to Settlers Act and the Public Trust Office. The former is for the purpose of lending money to enable men to get under way in their business, and has at critical times played a very important part in the development of the country. The latter acts as executor or administrator, or trustee of estates. There is also in effect an Advance to Workers Act which has accomplished similar benefits. A very interesting expedient which has been in operation

since 1891 is the co-operative system in the construction of public works. I quote from the Year Book of 1913: "When a length of railway is to be constructed on the co-operative principle the formation work is divided into sections, the size of which will depend upon the difficulty of the work. Plans and a simple specification of the work are prepared, also an estimate of the cost, based on the current rate of wages ruling in the district for similar work. The work, at a price of so much per unit of quantity or measurement, is offered to a party of men, who, if they accept, become the contractors. The work is measured periodically and full payment made to the party, who divide the money among themselves according to the time worked by each. The engineers in charge of the work have a certain amount of discretion and control in respect of the character of the men employed, the progress of the work, hours of labor, etc. So long has the system been in use that the methods have become stereotyped, the workmen being as fully alive to their own interests as the engineers are in the interests of the State. Any dispute as to the value of the work is usually easily settled upon the spot, and serious friction is almost unknown."

The existence of the Insurance Department and of the Postal Savings Bank undoubtedly helps the people financially by returning to them a larger share of the results of their savings than private companies would do. So many of the private concerns are owned by foreign capitalists that the country is continually drained of money. By the investments of the Government companies in public works much of its money is used to directly benefit the public. There are the advantages, too, of greater safety, cheapness, and freedom afforded by government management, the psychological effect of which upon the investors and the policy holders is not to be overlooked.

In the insurance and the coal-mining activities, too, there has been some effect of keeping prices down among the independent concerns. One fallacy, however, upon which the eulogist of State ownership in New Zealand is liable to stumble, must not be overlooked. Considerable portions of the people's money does return to them in some form or other, but a large part of it at the same time goes to the foreign capitalists from which the Government borrows. On the money borrowed to run the railroads, for instance, interest must be paid, and the bulk of it goes to London. The same would apply, in the last analysis, to any business operated by a government which is in this respect a capitalistic corporation; for there is no radical difference between lending a government money to operate its business, and lending it to a private company.

PUBLIC DEBT AND THE LAND ADMINISTRATION

CHAPTER III

PUBLIC DEBT AND THE LAND ADMINISTRATION

1. Public Debt

THE public debt of New Zealand is greater in proportion to its population than that of other countries, and this fact has often been held up against the New Zealand system of State Socialism. But before accepting any hasty conclusions it is only fair to inquire into the nature of the debt and the manner in which it is met. There need not necessarily be anything alarming in a large debt. Every person is in some way indebted to someone else, in fact the structure of the business world rests upon trust and debt. The deciding question is whether the debt is or is not of a productive, profitable nature to both parties concerned. The bulk of the debts which European countries labor under were incurred during times of war and must be classed as unproductive investments—as money wasted. New Zealand, however, with the exception of the earlier skirmishes against the Maoris has had no wars and the money which she has borrowed has been invested in productive or semi-productive enterprises—railroads, telegraphs, telephones, insurance, etc. New Zealand then suffers no more under her debt than does an ordinary business concern, bank, or corporation.

To borrow the figuring of Le Rossignol and Stewart, for 1907 the total amount of directly productive assets equalled 45 million pounds (about 225 million dollars) out of a debt of nearly 71 million pounds (355 million

dollars). This left 25 million or about £25 ($125) per capita to be paid out of taxes.

"The directly interest earning portion of the total debt," says the Year Book for 1913, "as represented by assets, are of much greater value than the amount of borrowed money spent upon them."

"The proportion of the debt allocated to directly interest earning investments has greatly increased since 1890 to 1891, being 79.62 per cent. of the total indebtedness incurred since that year, as against 45.50 per cent. before 31st of March, 1891."

If we grasp this fundamental fact there will be no need to further analyze the public debt in New Zealand, or to consider further the fiscal problems of the country. We are principally concerned with the social effects of these interests and it is, therefore, to that aspect of the subject that I would direct attention.

The expenditure of the debt has brought about problems, which are in a sense just the reverse of those with which a country like the United States, in which private industry is highly developed, has had to deal. The men who inaugurated extensive State ownership in New Zealand believed that they were removing the greater business interests from the sphere of private control and preventing the growth of powerful independent interests which would eventually, as they have done in the United States, gain control of the politicians. To a great extent this has been realized, but as in so many cases the prevention of one evil has only served to open an avenue to others. The situation is something like this; the major industries do not run the politicians but the politicians run the major industries. There have thus been put into the hands of politicians a vastly greater means of vote getting and corruption than exists in other States. Mr.

Seddon was a very keen politician, yet he was frank enough to say in Parliament:

"I am not one of those who say that other things being equal I should not favor the District that was represented by one who helped to maintain the Government in power."

And in the *Evening Post* of July 5th, 1907, an anonymous writer says of him,

"Proud as we are of our great statesman there is little doubt that one of the most potent instruments that maintained him in office for his record period was the clever manipulation of those (the Public Works') funds."

This condition of affairs inhibits, of course, the most economical management of the Government business, and the astonishing thing is that there is not more corruption in New Zealand politics.

There is a further consideration also to be made on the subject of debt. In its financial aspect it appears merely as facts and figures, profits and losses, but in its social bearing it means the limiting of man's freedom, the dominion of one man over another. When a loan is transacted and has behind it the force of law, the borrower puts himself at once under the control, more or less, of the lender. The lenders have always been the powerful. It was eminently so in Republican Rome, in Renaissance' times, and is so in the United States now. To have the State borrow money for business purposes or to take over an industry and issue new stock upon it, does not eliminate the capitalist, as some are inclined to think. The position in New Zealand is peculiar only in that the Government has borrowed, not from its own citizens but from England, the great Bank of the Colonies. Though in the administration of her government New Zealand enjoys almost perfect independence, the economic life of

the country is influenced by English banking interests, which through the medium of loans are in a position to insinuate their wishes to the Colony. Though enjoying a government of her own New Zealand is not as independent as it might at first seem to be. Questions of tariff rates the Colony is unable to settle to her own advantage, and in the administration of her public works she is always conscious of the watchful eye of her creditors who, if the State business does not pay, might threaten any moment to withdraw their support. This militates against any very liberal or progressive administration of the public works. In this respect the effect of the large debt, together with the extensive governmental business, is to make New Zealand no more nor less than a large business corporation in which the Directors are colonial politicians, and the investors the British Banks. Furthermore, British capitalists want a field for their investments and expect the New Zealand Government not to interfere in the case of independent companies supported by British capital. If the Government insists on taking over such companies the money raised for the expenses must be borrowed from the same British capitalists who financed the independent companies. It makes comparatively little difference to the English capitalists concerned whether their money goes into private or public enterprises so long as the interest is paid. The Socialist has here a problem to meet somewhat more complex than that which his comrade in a less Socialistic State will have to face. He must not only wrest the governmental machinery from the hands of the Colonial capitalists, but must as well free it from the control of a trans-marine power. There must be a double revolution; one against England and one within the shores of the Colony. To borrow less from England means that in order to raise the necessary funds the incidence of taxation will have to be altered,

and a vigorous opposition on the part of the wealthy and the fairly well-to-do classes to be met with.

In spite of the extensive business undertaken by the State, New Zealand is a heavily taxed country. The public works do not yield the Government a large profit and funds for government purposes must be raised by taxation. Nearly 35 per cent. of the total revenue is derived from the customs duties, an adjustment which makes the burden rest heavily upon the poor; for it is they who by the purchase of common household articles—food, clothing, drink, tobacco—pay the bulk of the taxation. All others are indirect taxes; death duties, the income tax and the inheritance tax. The income tax is levied on both funded and unfunded incomes, but leaves exempt improvements, live stock, personalty and people of small means. Land, however, does not fall within the domain of the income tax. Farmers have complained that their land tax rests disproportionately heavily upon them. As a tax this is not true. To be sure the tariff enables the manufacturer to shift the burden of the income tax or a raise in wages on to the consumer by putting up prices, while the farmer dealing in export products is not thus favored by the tariff and yet must suffer from the rising prices. But with the exemption of land from the income tax, the farmer contributes less proportionately to the total revenue than does the manufacturer and tradesman. It must not be forgotten either that the small farmers are exempt from the land tax just as are the small tradesmen from the income tax, and that the Government has done more and is doing more for the farming class than for any other class. And as Le Rossignol and Stewart have remarked, "In view of the large profits they (the farmers) have made in recent years and the great increase in the value of their land they do not seem to have any serious grievances."

According to the statistics of 1913, the revenue from customs duties was £3,531,761 (about $17,658,000), while from land it was £728,636 (about $3,643,000), about one-fifth as much. Now the customs duties is a tax levied upon commodities which are perishable in the using, while land is continually appreciating in value. Furthermore, the imported article is dear and scarce whereas land is cheap and very plentiful. The burden of the taxation thus falls upon the wage earning householders—the bulk of the New Zealand population—and it rests most heavily upon the man with the large family. The bulk of the direct taxes to be sure is paid by the wealthy; by some 12,000 or 15,000 people. What they pay, however, in comparison to what the great mass of the population contributes through the tariff duties is, in proportion to their wealth, very small. The real burden rests upon the poor.

Now the purpose of taxation may be governed by two principles:

(1) To raise revenue by taxing in proportion to what can be paid, and

(2) To mitigate the disparity in wealth by levying an additionally heavy tax upon the rich.

The first is the more conservative principle, accepting the existing order as just; the second is more progressive, aiming at a change in the social structure. New Zealand accepts both these principles; but the absurdity of the position is made clear when we realize that as regards the first the bulk of the tax does not fall upon the wealthy but upon the poor; while the second really counts for nothing as long as the apportionment of the first remains as it does.

2. The Land Administration

New Zealand is so well known for her Arbitration Court and the extent of her Government industries that the fact is often overlooked that she is mainly an agricultural and pastural country, and that some of her principal problems have been and are connected with land tenure. It is often wrongly supposed that all the land of the country is held by the Government. The error of this is shown by the statistics of the Year Book for 1913, which show that in 1911 of the total area of about 40,238,000 acres held (omitting native lands, institutions, etc.), 16,551,000 was free-hold, while 17,540,000 was leased from the Crown; that is, a little less than one-half are free-hold and about the same per cent. are lease-hold.

The Liberal Land Policy of 1890 accomplished wonders in the way of settling and opening new land. That year saw the turn of the tide of population from the city into the country. Only if we can bear in mind the fact that the wealth of New Zealand lies in its natural resources can we realize the importance of the land legislation which followed.

The Perpetual Lease, introduced in 1882, was one of the most interesting institutions in the history of New Zealand, and had its purpose not been rendered abortive by the amendments of an ultra-conservative Upper House, it might have been the first step in the development of a single tax administration. One-third of the agricultural land open for sale was to be leased for 30 years with the right of perpetual renewal for successive terms of 21 years each, the rent to be 5 per cent. on the unimproved land value, and there was to be a *re-estimate* at the end of each term. The Upper House, however, slipped in a clause giving the lessees the right to purchase

at the prairie value. There was an immediate rush to the country, but much of the land acquired in Perpetual Lease was rapidly converted into free-hold and the really beneficial effect of the Act was thwarted.

The next step was from the frying pan into the fire. Fearful lest the rapidly increasing free-hold should result in the growth of large estates and the crowding out of the smaller holders, Parliament introduced a new lease—the Lease in Perpetuity. It granted a tenure for 999 years, at a fixed rental of 4 per cent. on the capital value of the land at the time the lease was taken up, with *no revaluations*. The short-sightedness of this measure is apparent, for in the course of ten centuries land values might mount to the sky while the State could never claim more than the original 4 per cent. in spite of the fact that it might be as a result of its own activities in the construction of roads, etc., that these land values had risen. The Lease in Perpetuity was repealed in 1907. However baneful its ultimate effect might have been, it served during its continuance as an inducement to people to migrate into the country where they remained even after the abolition of the Act.

"The climatic conditions in New Zealand," Le Rossignol and Stewart point out, "as compared with those of America go far to explain why land monopoly has been more common in the former country than in the latter. In the northern parts of the United States and Canada the severe winters made it difficult for a man to hold more than a very limited area of land . . . In New Zealand, on the contrary, the climate is so mild, that except in the higher country, the farmer can work his ground in mid-winter, while the sheep and cattle can remain in the open pasture all the time." Secondly, land legislation in the United States and Canada has been of secondary importance, while in New Zealand it has been

of paramount importance. To allow the growth of large estates to continue in New Zealand would have meant national stagnation, and the land question has been, therefore, always a very pressing one. There have been, accordingly, three main purposes in land legislation:

(1) To promote the development of the natural resources,
(2) To maintain a just system of tenure, and
(3) To effect an equitable distribution of the land.

The measures we have been reviewing were an attempt principally to realize the first of these. We may now consider the laws at present in force, which though they still aim indirectly at fulfilling the first of these purposes, are, however, especially framed with the idea of achieving the second and third. The problem of how to keep people in the country is no longer uppermost; the question at present is how to formulate and administer just methods of tenure. In early times the importance of land legislation was in the building up of the country; it is now of more social importance.

There are three methods of tenure: the Free-hold, the Occupation with Right of Purchase, and the Renewable Lease. To obtain the Free-hold, the tenant must pay down one-fifth of the price, and the balance in thirty days, and he receives his Crown title as soon as he has made the stipulated improvements on the land, i.e., on first-class land up to £1 per acre; on second-class land $10 per acre, etc. These improvements must be made within 7 years from the date of purchase. It could hardly be said that the advantages of free-hold are what some would have the rural settlers believe they are. There is much sentimental talk of the superiority and blessing of possessing freely and independently one's own piece of

land; but the benefit does not go far beyond the point of sentiment. What benefits there are, as a matter of fact, are reaped by the large holders and by the mortgaging institutions, and it is they who eulogize the freehold tenure. The smaller free-holders dislike the tenure because it deprives them at the outset of the capital which they might otherwise have invested in improvements. More pernicious is the opportunity it lays open for land speculation and the accumulation of large estates; hence its popularity among those who have plenty of ready money.

Lands selected on the Occupation with Right of Purchase tenure are held under a license for 25 years.

"At any time subsequent to the first 10 years before the expiration of the license, after having resided and made the improvements . . . , the licensee can, on payment of the upset price of the land, acquire the freehold" (Year Book 1913).

The rent is 5 per cent. on the cash price of the land. Under the third method of tenure, the Renewal Lease, lands are:

"Leased for 66 years with a perpetual right of renewal for further terms of 66 years, subject to revaluation at the end of each term and to the conditions of residence and improvements" (Year Book 1913).

The rent is 4 per cent. on the cash price of the land. This system was substituted for the Lease in Perpetuity, and is another step in the same direction as was the Perpetual Lease, for the revaluations enable the State to recover the socially created values. However, it has these very serious defects: (1) that as long as other tenures exist its revaluations become a special class tax on hold-

ers of the lease, and (2) the inclination of the tenant is always to obtain the free-hold.

There are four main features of the land administration where it deals with the subject of taxation:

(1) The ordinary tax including the tax on mortgages on land. It was predicted that the burden of this tax could easily be shifted by the lender on to the borrower by raising the rate of interest, but this seems not to have been the case (at least such is the statement of Mr. Reeves, *State Experiments in New Zealand,* Vol. I, Page 261).

(2) The graduated land tax which we will notice below,

(3) The tax on absentee owners, and

(4) Total exemption of small properties and incomes.

So far we have dealt with the principles of land administration which have for their purpose the maintenance of a fair system of tenure. The other principle was the effecting of an equitable distribution. As we have seen in Chapter I the colonists in past times boldly smashed into the large estates and cut them up into small tenures; ever since then there has been a constant struggle against the recurrence of the evil of landlordism. The present law is such that no one may legally acquire more than a certain area—5,000 acres of third-class, 2,000 acres of second-class, and 640 acres of first-class land—and he may not sell to anyone who would by the transaction be possessed of more than a legal amount.

The Graduated Land Tax was enacted with the purpose of preventing large accumulations and of inducing the breaking up of the already existing ones by bringing pressure to bear upon the owners. Up to 1907 the manner in which the law was evaded was a current joke in legal circles. The present law, enacted in 1907, is more

strict, and since its enactment evasions have been rare and reduction in large holdings has been notable.

Just here we may pause to note an interesting and significant point. The agitation against large estates has come, of course, through the holders or would-be holders of small tenures. But as Le Rossignol and Stewart point out:

"The motives can hardly be said to be expropriating the capitalist as a capitalist, for no serious agitation has been made to increase the income tax."

The Socialists, of course, also advocate land reform but they do it upon quite a different basis, for it is the whole system of land tenure itself which they attack. The most potent movement in the land reform question comes from those who wish to displace the large landlord capitalist in order that they (the small holders) may be landlord capitalists themselves.

The compulsory sale of large estates and the present settlement of small holders upon them, however beneficial it may prove, had added an additional weight to the burden of the public debt. The purchases have all been made with money borrowed from abroad, and land values are continually going up. The tenants, it must be remembered, are lease-holders, and their rent simply passes through the Government and is converted into interest to be paid on money borrowed. Furthermore, these tenants are continually asking for reductions in rent and as they become a larger political force the more likely are they to get what they want.

By an Act of 1896, boroughs, counties and other small rating districts met to decide by local option whether their rates should be levied on unimproved values or on the annual or capital value of real estate. Those who have chosen the former have adopted something closely re-

sembling the Single Tax. In the year 1906 the Government made an investigation to ascertain the effect of the tax in those districts which had chosen to adopt the new method of rating. There is also a report of Mr. Hayes, the Commissioner of Taxes, and an investigation of Le Rossignol and Stewart made in 1906. In studying these returns there seems to be but one inference to be drawn and that is that nothing definite can be said. In the opinion of some, rents have been reduced; while others hold that there has been no change. The preponderance of opinion seems to be that speculation has been discouraged; but as regards the question whether it has rendered land more accessible to purchase, the ideas seem to split even. There is, however, a consensus of opinion that building has been stimulated and vacant sites filled in and that it has shifted the incident of taxation from one class to another. The first effect in case of cities has in some cases proved unfortunate, for the tendency has been for the more crowded centers such as Wellington, to fill in the few and very precious open spaces which remained. Obviously, a method of taxation which leads to this result is deleterious and ought to be avoided. The principle of taxing socially created values is a good one but it must be modified to suit the circumstances.

The effects of this method of rating are interesting and in many cases significant and instructive, but one cannot help feeling that the data for their study are very inadequate and the conditions under which the system has been tried very unsatisfactory. A large proportion of the local expenses—public education, charities, much of the road construction, etc.—is met by the general government and less than one-half of the local revenues are derived from rates. This accounts for the indifference of the rate payers toward the new system and makes any satisfactory conclusion impossible to draw.

The land administration of New Zealand has been a potent factor in the development of the country and has been a model which other countries have imitated. Yet there have been false steps and are now serious evils in the system. The farming class has always been the dominant force in politics, and as the large estates break up and are portioned out into smaller ones the number of tenants increases and so proportionately does their power in Parliament. This I fear is not widely enough realized. Once possessed of the soil they are ready to agitate for the free-hold and in times of depression they ask for reduction in rent. It is curious, furthermore, how a man's attitude towards progress is sure to change once he obtains a bit of land and has settled upon it. Previously he may have advocated the Single Tax and worked for Socialism, but now he is a *bona fide* conservative, upholding not only private ownership of land, but of property as well.

"For the moment, however," says Mr. Scholefield in his book, *New Zealand in Evolution,* "the land system embodies the best thought-out code in the British Empire for the occupation and working of the land to its fullest utility."

It may, indeed, be regarded as successful if compared to other systems found within the British Empire and if measured in terms of £. S. D. But whatever its past achievements, no system can be regarded as good which is proceeding in a retrogressive direction, and which inevitably must lead to an intolerable situation. Free-holders are increasing and will continue to do so, and while the free-holder reaps profits off socially created values, the lease-holder will be deprived of them by periodic revaluations. The harm formerly done by the great land

monopolies will be continued by the numerous heirs to those estates; in a little different fashion perhaps but with virtually the same result. Small farmers are co-operating, for as the great estates were split up a co-operative movement rapidly sprang up; societies were formed and the farmers co-operated with each other and with the government which fell into their control. There thus came into being a thoroughly class-conscious body of men, knit together not only by ties of sentiment but by the more practical medium of their societies and politics as well. This body does and will continue to maintain a capitalist system and as the population increases and the country becomes more closely settled it will grow into a wealthy, powerful unit, controlling the government and the destinies of the country.

The most progressive measures for reform are proposed by the Social Democratic Party. They are: "Increased taxation of unimproved land values both in town and country, and a graduated income tax and a corresponding reduction in tariff on goods not produced in New Zealand and in railway freights and fares." Also: "No further alienation of Crown lands and the establishment of homes and improved farms as going concerns to be within the reach of all workers."

INDUSTRIAL CONCILIATION AND ARBITRATION

CHAPTER IV

INDUSTRIAL CONCILIATION AND ARBITRATION

THE Industrial Conciliation and Arbitration Court of New Zealand has attracted more widespread notice and criticism than perhaps any other institution of that country. Though New Zealand enjoys the equal franchise of men and women, the government operation of the railroads, State Advances to settlers and workers, and other advanced legislation, these features have attracted less attention than its system of arbitration. And it is very natural, for in any community stirred by industrial troubles the strike and the lockout are more remarkable and dramatic symptoms than the comparatively placid suffering of the poor, or the rebates of railways. The strike appeals more to the imagination, it grips the public attention and touches the conscience, and any scheme to eliminate the disorder will consequently attract interest. Such a scheme took the form in New Zealand of the Arbitration Law, and for a decade after its inception in 1894 the country enjoyed an era of peace. It is now fourteen years since Henry Demarest Lloyd wrote *A Country Without Strikes,* depicting New Zealand in the most roseate colors as the Paradise of workers and the land of industrial peace. Other publications in a similar vein appeared at about the same time. All, however, concurred in the opinion that the expedient was still in its infancy, still an experiment, and that its ultimate results could not then be foretold.

Several years have passed since that time and the progress of events has brought clearly into the foreground some features which in earlier years were less remarkable, if, indeed, apparent at all. However, the opinions of employers and employed may have differed fourteen years ago, they are tending lately to agree more and more in regard to the success of the court. The attitude of the general public, too, in New Zealand has changed, and if not exactly in concurrence with that of persons whose work comes within the purview of the act, it at least shows pretty well which way the wind is blowing. Recognizing the importance of Arbitration and the interest at present taken in it, the writer has seen fit to devote a proportionately larger space to its consideration; for it is necessary in order to grasp its significance to study it in all its various aspects. The plan of this chapter is to outline briefly the New Zealand system of Arbitration and to discuss the broader significance of the institution and the theories upon which it is built. The validity of the conclusions reached will be tested in the light of New Zealand's experience.

The original Arbitration Act provided for local Conciliation Boards and Arbitration Courts. To the local Boards each side elected an equal number of representatives and these together elected "some impartial" person as chairman. At first the Boards enjoyed some success but not for long. They had no power beyond recommending the means to a settlement, and more and more the parties concerned became averse to accepting the recommendations as long as there remained a higher tribunal to which they might appeal. Frivolous and trivial cases were brought in and the proceedings of the Boards degenerated into petty hagglings and vituperations. Contrary to Mr. Reeves' original plan, Parliament granted to the members of the Boards while they were sitting a fee of a guinea

per day, a step which only went to make matters worse. The real cause of the failure of the Boards, however, was the fact that as long as cases dealt with by them were free to pass on to a higher tribunal they did so regardless of the decisions of the Boards. They lacked that degree of compulsion which might have made them successful. Their failure vitiated the whole system and they were abolished to be replaced by the Conciliation Councils.

The Arbitration system as it is now administered dates from the Act of 1908, together with the Amendments of 1910 and 1911. For the purposes of administration the country is divided into eight industrial districts. Industrial Unions may consist of not less than three persons in the case of employers and fifteen in the case of workers in any specified industry in an industrial district. Any two or more Unions may form an "Industrial Association." Of the Conciliation Councils which replaced the Boards there is one for each industrial district and each is administered by a Commissioner appointed by the Government. Where disputes arise the parties are asked by the Commissioner to choose assessors to the Council, but they must be men who have been engaged in the industry. Thus, in one particular, is the Council superior to the defunct Board; for whereas previously a case arising in connection with a shoe manufactory for example might be heard by a body of men composed, perhaps, of a painter, a carpenter, a printer, and a coal merchant, it will now be dealt with only by men who are conversant with that particular business, together, of course, with the Commissioner. The Court of Arbitration covers the whole of New Zealand. It consists of a permanent judge who is appointed by the Government from among the members of the Supreme Court, a member elected by the employers' unions, and a member elected by the workers' unions. The last two hold office for

three years. There is no appeal from decisions of the Court. The subject of preference to unionists has given no little trouble, but the Court has so far refused to grant unconditional preference. Disputes arising between farmers and their workers do not fall within the purview of the Arbitration Act.

Undoubtedly New Zealand's compulsory method is the best, for voluntary arbitration has been proved often enough impracticable. For where there is no power to enforce the decisions of the court its awards are worthless, and inevitably the losing side, if it feels itself the stronger, will tear up the award and resort to a trial of strength. Yet the term Compulsory Arbitration, applied to the New Zealand method, may be misleading. No one is compelled to arbitrate. But if a union of the workers or association of employers choose to submit to the system they register under the act, and then if either demands arbitration the other must also appear before the court. The awards of the court have then the force of law and any infraction of them is visited with a penalty. Moreover, any union or association of employers may, if it chooses, cancel its registration and try its fortune in other ways. The State does not step in and impose arbitration at its own instance; the initiative lies with the aggrieved party. The term "Mandatory Arbitration" is perhaps a more suitable one. Once under the law you must obey it; but you are free at any time to step out of its pale. In discussing arbitration, then, whether in New Zealand or merely theoretically, we will assume a system of legally enforced awards.

Whatever secondary results there may be, the primary function of arbitration is to prevent strikes. In order to do this the court must grant workers the benefits which they would otherwise seek by means of the strike, and as the principle of these is the raise of wages

the main problems of arbitration turn about that point.

At the outset a very serious difficulty is met with. The court finds itself in a most perplexing position, for it has no legal or generally accepted principle upon which to proceed. Upon what basis will it act? The worker demands "a living wage"; the employer asserts that he can afford to give no more. Immediately the questions, "what is a living wage?" and "how much can the industry bear?" must be disposed of, and there are no legal precedents or conventional standards to look to for solution. Decisions are to be made "according to the merits and substantial justice of the case," and the judges must act "in such a manner as they find to stand with equity and good conscience." These are vague terms. But they must necessarily be so, for the court, being an extra-legal affair, must set up for itself anew the principles of justice by which it is to be guided. Thus the legislative functions necessarily inherent in a court of law extend to an indefinite point in the new institution. In meeting such questions as "what proportions of the returns are labor and capital entitled to?" "to what degree is the employee to be independent and the employer to have his way?" "what is a living wage?" the court must not only exercise the duty of adjudication but must formulate anew a whole system of ethical philosophy. The problem of right and wrong must be re-solved and re-stated. The judges are asked to empty themselves of all preconceived notions, so to speak, and with a fresh and clear vision to pronounce their decision "according to the merits and substantial justice of the case." It is analogous, of course, to the institutions of the court of equity to settle cases not covered by the law; but in this case "the King's conscience" would be replaced by the generally accepted standard of ethics.

With this generally accepted standard of ethics as its

footing can the court make the system of arbitration a success?

Let us not labor over an analysis of standard ethics but let us look rather to their origin and the forces which maintain them. To account for the origin of any system of ethics is not an easy matter. The philosophy of Economic Determinism has offered, perhaps, the most complete and exhaustive explanations on the subject, though it is by no means alone in the field. There are many who question its validity, yet it is slowly gaining more and more credence among scholars and the public. Be that as it may, it would be mere blindness to deny that men's moral opinions in the large majority of cases are determined by the economic class to which they belong. "Law and order" to the capitalist means the maintenance of things as they now are; but to the wage worker the spectacle of women and children ground to death in factories and smothered in tenement houses is not in keeping with his idea of "law and order." The fact is, indeed, too often overlooked that the working class have a quite distinct system of ethics. The vertical divisions of mankind into tribes and nations resulted in tribal and national moral codes. Similarly the horizontal stratification of our society has brought about distinctions in class ethics. Child labor and abject poverty are to one class legitimate and necessary factors of business, while by the other they are branded as theft and murder. The use of force by one is "for the public peace," while an act of violence by the other is termed criminal, though the perpetrator may declare it done in the name of liberty and justice. Any attack upon the government, any invasion of the rights of property, or even any aspersions upon the regard due to wealth and position are conventionally classed as immoral acts. Which code of ethics is the standard, is, of course, the point at issue.

"Whenever there is an ascendant class," says John Stuart Mill, "a large portion of the morality emanates from its class interests and its class feelings of superiority." This is quite as true of our day as it was in the days of the Spartans and Helots, the Nobles and Roturiers of which Mill speaks; and our economic system is the basis of present day class distinctions. Is it, indeed, because one man has clean hands and another dirty that their views as to strikes differ; or is it because one holds bonds while the other draws wages?

Now, law is of its nature conservative, reflecting the economic and social conditions of the time and designed avowedly for the preservation of those conditions. So also do ethics serve the same purpose and differ little in their nature from law, except in the fact that they are not codified. A careful analysis then of the standard ideas of equity and good conscience which now prevail would be neither here nor there. Whatever may be their nature the fact remains that it is upon these ideas as a basis that the judgment of the court must be delivered, and those judgments will be enforced by the law. The point now is that this all-important moral standard is the direct product of the capitalistic regime, and that the workers' complaints are also the results of this same regime and are directed against it. Thus to set up a system of arbitration for the purpose of settling disputes which are a result of our economic structure, upon a system of ethics and law which is also a result of the economic structure, and the tendency of which is to maintain that structure, is fallacious and can be no true solution of the problem.

Would arbitration be feasible, then, judging it purely upon its economic side?

To answer this we must look again into the two practical questions upon which the system is supposed to work.

These questions are "what is a living wage?" and "what increased expense resulting from higher wages or shorter hours can the industry bear?" To answer the first is impossible, and to put it forth even as a temporary solution shows a lamentable ignorance of human nature. How is it possible to determine the standard of life for the human race? What court has the right to declare that one part of the community shall live by a lower or higher standard than the other? Furthermore where is the process, once begun, to stop? "The most essential feature of man," said John Fiske, "is his improvableness," and once he attains a higher level of life he will not be satisfied but to strive for even higher. The worker, once accustomed to a better standard, will not remain satisfied; and as long as he has the spectacle of wealth before him, of men enjoying what he has not, he will agitate for better conditions. To base the decisions of the court upon the "living wage" is only to resort to the most temporary and transient of expedients.

The question of what the industry can bear is a more complex one and requires longer consideration. To answer it we must determine what the just returns to profit should be and how far the curtailing of profit can go on without endangering a withdrawal of capital. The employer in most cases declares that wages are dependent upon profit while the worker is more likely to insist that such is not the case. In the competitive system the profits of any firm must depend upon the degree to which that firm is superior in its management and circumstances to the marginal firm in the same business. Now, wages are simply one item in the sum total of its expenses, and therefore are not dependent upon profits, but rather the reverse is true; profits are dependent upon—among other things—wages. Where free competition obtains, labor is to the employer a commodity just as much as the raw

material which he buys. If profits increase he will no more give the worker an additional sum than he will pay a bonus to the producer of raw material, or to the Insurance Company, or to the landlord.

A little further inquiry will show us that labor is placed by the institution of arbitration in an anomalous position. In the last analysis the Arbitration Court is simply an organ for the legal regulation of wages, and labor becomes the only commodity on the market the price of which is regulated by law. Interest is the payment made for the use of his wealth to a capitalist who does not undertake any enterprise himself personally. It has been defined as "a guaranteed share of the profits." Under free competition the entrepreneur is at liberty to secure his profits in whatever way he can, so long as he renders to capital its regular returns. He may cut down wages, buy cheaper, or raise prices. Under the arbitration system, however, the laborer steps up to the level of the capitalist and demands that he, too, for the use of his labor, shall receive a stipulated return, and secures the force of law as a guarantee. This cuts off one avenue of profit-making for the entrepreneur. He must now guarantee the capitalist his return, and the worker his in addition. To do this he must either bring pressure to bear upon the producer of raw material in order to buy cheaper, or else he must improve his machinery and management, or finally, put up prices. To do the first is almost impossible, the second can give relief only up to a certain point, but the third he can accomplish relatively easily. He does so. Then there sets in a reaction of public opinion, newspapers talk about the high cost of living, agitation begins against the tariff, and he is confronted with the spectre of having to compete with an influx of cheap foreign goods. This brings him face to face with the producer of raw material and a conflict ensues. They parry and thrust until,

in the course of time, to save the situation the State steps in and in some form or other arbitrarily regulates the price of raw material. This is by no means fanciful; an incipient measure to that effect was enacted in New Zealand in 1908. Arbitrary determination of what one item of expenditure is to be leads inevitably to the arbitrary determination of the others. In the words of Professor Taussig, "Compulsory Arbitration, carried to its logical outcome, means settlement of all distribution by State authority."

Neither ethically, legally, nor economically then does arbitration seem a possible solution to the problem of industrial unrest. Let us now turn to the case of New Zealand and see what information may be adduced from her experience.

Under what favorable conditions the system was inaugurated in New Zealand must be borne in mind at the outset. Prior to its inception the country had been, as we saw in Chapter I, under the thumb of the large farmer, a condition which continued until a coalescence of the small farmers and the laboring men of the towns effected, in 1890, the overthrow of the Conservatives and the entrance of a Liberal party into Parliament. Now, although a protective tariff stood behind the manufacturer, the worker and farmer controlled the government and together they regarded the manufacturer and commercial man as their antagonist. The country was limited, its exports in the way of manufactures practically nothing, and its population small and homogeneous. There was no rabble of unemployed, labor was scarce, of a high order and valuable, and the tariff wall enabled the manufacturer to shift any additional expense, resulting from legislative pressure, on to the consumer. Add to this the fact that beginning in the later '90's a wave of commercial prosperity swept the country and it must be

granted that New Zealand's position was somewhat ideal for the institution of a court of arbitration. On the whole the idea was acceptable. Farmers looked to it as one instrument among others to curb the arrogance of the manufacturers; workers saw in it a means of improving their lot; and even the employers welcomed it as a medium for settling disputes and were glad to grant concessions to their employees for the benefits which would accrue from industrial peace. It was nothing remarkable. The outcome was, in fact, inevitable. The country was too young to suffer industrial disturbances with impunity, and the commonwealth must act as a unit or perish. Not altruism but pure economic necessity gave birth to arbitration.

It would be futile to delay in criticising the sundry benefits and drawbacks which have resulted from the arbitration law in New Zealand. Undoubtedly, it has benefited the honest employer by eliminating the cut-throat competitors who reap their profits through sweating and child labor. Great educative benefits also have resulted from the necessary publicity accompanying an award, and the popular criticism to which the court was continuously exposed. The worker, of course, has profited greatly. It has meant for him not only increase of wages and improved conditions under which to work, but additional leisure and independence as well. But, on the other hand, employers have complained that labor has decreased in its efficiency, and other critics fear that though it has helped to unite and solidify labor in general, it has taken the steel out of the men and left them without initiative. Meanwhile, the public complains that prices have gone up and the investor declares his capital in danger.

These things are by no means to be overlooked and form important points to be considered in balancing the

pros and cons. I cannot help feeling, however, that they are mere side issues of the fundamental problem to be solved, and whatever success may have been attained here or imperfection patched up there, the ultimate issue will inevitably be the same.

From the years 1884 to 1905, the first eleven years of the Act's existence in New Zealand, there were no strikes. In 1906 there was one; in 1907 there were 12; the next year there followed again 12; the next, 4; then 11; then 15; then 20; until in 1913 there were 23. The majority of these strikes were called by unions which had failed to receive satisfaction at the hands of the court. Though the strikes resulted well for the workers during their first recurrence, the total number settled in favor of employers was 42, of employees 25, while 28 were compromises. Of the 23 strikes during the year 1913, 21 were settled in favor of employers, 1 in favor of employees, and 1 a compromise. Add to this the fact that New Zealand has only just recovered from the most serious and wide-spread strike since 1890, and it must be admitted that the system is showing signs of failure. These facts and figures will appear more significant in the light of what follows.

The attitude of the workers has of recent years radically changed. Whereas, ten years ago the voices foretelling the failure of the court were very few indeed and ill received, the opinion is growing prevalent that they were the voices of true and not false prophets. In fact, to support the Arbitration Court among some labor circles today is tantamount to declaring oneself a reactionary. Men and women among the workers feel that the court is owned and controlled by the capitalist class, that though their labor representative is a factor in it, yet he is counterbalanced by the employers' representative; and the judge, being also a member of the Supreme Court, be-

longs by his training and social affiliations to the other class, and is unavoidably biased. Whereas, a few years ago contrary opinion was directed against the personnel and practice of the court, it is today resolving itself into a belief that the basic principle of arbitration is at fault. Furthermore, the court must act within laws enacted by a capitalist controlled parliament, and to plead before it under such circumstances is a hopeless predicament. Public opinion behind the court forbids it, in fact, to act in any other but according to the most conventional conceptions of justice. During the last few years the tendency of the court has been to regard the workers as a discontented class revolting against a perfectly satisfactory order of things, and upon whom the court must pass sentence. The reputation for industrial well-being which New Zealand enjoys makes it additionally difficult. One hears it said, "the workers here are better off than in any other country in the world; they have no right to complain."

Whatever may be the good intentions of the judges they undoubtedly feel the pressure of the capitalist rather more keenly than of the wage worker. It is impossible for them to act impartially. They are too much restricted on every side. Their function is to make the best they can of the materials they have at hand, and they must accept the existing order of things and not strike out into the wider fields in search of principles of justice. Their "equity and good conscience" is perforce limited. I attended a case in which the decision was delivered against the workers. The man who had plead the workers' cause afterwards said to me, "The Judge is a perfectly good man and I believe he means well; but what can he do? Why, I would have had to give the same decision myself." Indeed, a glance at the awards of the past years will illustrate the fact that in regard to the

ethical principles upon which the court has proceeded, it has managed to cover a circle very little larger than that of an ordinary court of law.

Precedent likewise plays so important a part that no case today can possibly be tried on its own merits. In its procedure the court has fallen irretrievably into conventional and stereotyped methods and the casual observer would hardly distinguish it from a court of law. And whereas in former days the court commanded a foremost position in public interest, it has now sunk into secondary importance. One would be surprised to see how little notice is taken of its movements, and how cursorily the newspapers recount its decisions. I had difficulty in Auckland, when the court was sitting there, to ascertain in what particular chambers its sessions were held. I inquired casually of several shop-keepers, then at the Trades Hall and at three law offices before I encountered any one who even knew it was in the vicinity.

I point to this purely for its evidential value. The court is no longer the focussing point of public interest in industrial matters. It is no longer the axle around which turn the wheels of business life. Differences between employers and workers are settled to an ever increasing extent outside the court, and moreover, force is again being called into play. Workers are resorting to the strike. Employers, however, cling to the system and use it in a previously unnecessary way. When a union failing of its purpose before the court cancels its registration and declares a strike, the employers rush in a squad of men, pay them good wages for the time being, form them into an arbitration union upon a program dictated by themselves (the employers) and, before the strikers know it, they must either join the new union at the employer's pleasure or go without work. This procedure has been a feature of every recent strike and

was notoriously so during the late crisis. Nor are the employers loath to use force to effect their purpose, and police and specials are called in to settle their affairs. It is entirely erroneous to believe that violent action has always been initiated by the strikers. On the contrary, it has been the necessary expedient to which the employers have had to resort in order to keep their heads above water in the fierce competitive struggle.

Such is the practical outcome; other inevitable results are no less in evidence. Though wages have risen since the inception of the act, prices have gone up in much greater proportion, and there is not a wage earner who finds himself in a better position today than he was twenty years ago. In other respects New Zealand has progressed along substantially the same path as have other countries. Wealth has become more and more concentrated into the hands of the few, poverty is slowly but surely on the increase, and class distinctions are becoming each day more pronounced. With the tendency of business toward monopoly and the inevitable rise in the cost of living, labor is awakening, uniting and demanding its just share of what it produces. The effect of these twenty years of arbitration and good times has been merely to lull the worker into a comfortable and self-satisfied condition until he felt himself quite as good as his employer. He had but to step up to the Arbitration Court and his demands materialized. He had leisure, comfort and good pay. But today he feels that all these years he has been fooled and cheated and the court seems a very grim joke, indeed.

No doubt the world was astonished to learn a year ago that the "Country Without Strikes" was undergoing as serious an upheaval as that from which other countries are accustomed to suffer. The truth is that the arbitration system has reached its limit. Under the capitalistic

method of production and distribution it has done for the workers as much as is possible; it can do no more now than grant petty concessions and awards. It is well-nigh powerless. The real battle between capital and labor, meanwhile, takes place outside the walls of the court room. I was surprised, in a conversation with the Judge of the Court, to observe how little significance he attached to the importance of arbitration. He gave it me as his opinion, in fact, that a very few years of business depression would result in the abolition of the court entirely.

In short, the system of arbitration may be said to have run its course. Whatever may have been the hopes and fears of economists twenty years ago, the events of the past year or so prove conclusively that for the greater problems which confront New Zealand, the theory of arbitration is no solution. It has acted as a mere palliative and has not touched, as by its nature it could not, the underlying causes. The very principles of ethics upon which it must base its decisions, together with the economic system which it perforce must uphold, forbade its success.

WOMAN SUFFRAGE AND THE POSITION OF WOMEN

CHAPTER V

WOMAN SUFFRAGE AND THE POSITION OF WOMEN

PERHAPS it is not altogether surprising when we consider how recently the settlement of New Zealand was undertaken by the English to find this the first country in the world to grant women the national suffrage from one end of the country to the other. Shaken free to a great extent from the prejudices, customs, and dogmas of the older countries of the world, people viewed the activities of the State from a more plastic, democratic, and far-sighted attitude. Working often hand and hand with men in the heavy and exhausting pioneer work in the back-blocks, it was quite natural that women should be looked upon as an important factor in the building up of the State and were considered quite worthy of citizenship by fair and unbiased thinkers.

Aside from such general considerations, however, the good use of the municipal franchise already granted to women in 1886 broke down to some extent the unwarranted fears of those opposed to the advent of women into the political field. During the years between 1888 and 1893 when the subject was being intermittently debated in Parliament three main interests strenuously backed the cause of the Parliamentary franchise for women, and did much to bring sufficient pressure to bear finally to make it law. These interests were the Prohibitionists, the Church, and the Conservative Political Party.

Each hoped from the supposed natural tendencies of women—being opposed to drink, religiously inclined, and of conservative nature—to replenish the strength of their several parties with the coming of the women's vote, but as subsequent events show, however, they were all doomed more or less to disappointment.

From these facts it can be seen that although the enfranchisement of women is advocated by all Socialist parties as a necessary part of any Democracy, it may also be supported by non-socialistic or even reactionary groups in the hope of furthering their own special interests.

It must not be supposed that women themselves played no part in their own political emancipation. Some writers, it is true, have liked to state that the women of New Zealand woke up one morning and found themselves enfranchised without any effort on their part, but the facts will hardly bear these statements out. From the year 1885 to the time of obtaining their franchise a small, but earnest and energetic group of women in the newly-formed Women's Christian Temperance Union, fought strenuously, not only to overcome active opposition to the movement, but what was far more difficult, to arouse the apathetic. With the circulation of leaflets, articles written to the papers, holding of meetings, and debates and endless speeches this group of women supported by some strong male advocates, fought the hostility of the liquor-dealer on the one hand, and the timidly conservative minded on the other. In 1891, a petition signed by over ten thousand women was despatched to Parliament, and again in 1892 assisted by the Franchise League in Auckland and Dunedin and the Women's Institute in Christchurch, a new petition numbering 20,274 signatures was sent. Not content with this display, in the following year the most numerously signed petition ever presented to any Parliament in Australasia was submitted. Out of a total

of about 250,000 women over thirty thousand names were secured, with the result that in the same year a law was passed granting to all women of 21 years of age and over, including both natives and whites, the right to the parliamentary vote.

Many predictions made in and out of parliament regarding the effect of women's gaining the suffrage have not come true. To those who feared domestic discord, children forgotten and the general unsexing of women, the insulting of them at the polls and even the national credit shaken at London; and to the extremists on the other hand who foresaw a mighty social revolution, a new era of truth and righteousness, and universal prohibition assured, disillusionment has come. The Church, backing on the traditional religious fervor of women, expected a great reinforcement of their interests, insuring the abolition of secular education; but they too have not had their hopes realized. And the Conservative Party instead of finding themselves immediately returned to power, waited through nine years of Liberal ministries till they finally succeeded in 1911 in capturing the country and then only under the name of a Reform Party.

It may fairly be said that none of the pessimistic prophecies about the entrance of women into political life has come true. On the contrary, the general effect seems to be a greater interest and intelligence among them concerning public affairs, and a gradual education away from the old apathetic narrowed personal life that they have led for so long, out to the broader, social interests of collective humanity.

Several women's societies exist which meet to discuss not only political questions, but especially all conditions that make for the better, freer and happier life of women and children. The Women's Christian Temperance Union is a large body with branches all over the Dominion, which

besides standing for the cause of prohibition also urges political and civil equality for women, regulation of the marriage age, purity propaganda, etc. In Christchurch the Canterbury Women's Institute, a more progressive league, also discusses questions regarding the betterment of women and children, educational reform and such specific subjects as compulsory military training under the Defence Act, of which it strongly disapproves. The Housewives' Unions, which are affiliated with the Social Democratic Party, have recently sprung up in several centres, and besides pursuing their original function of combating the ever-increasing cost of living, they are now in some centres taking up the study of economics through a small lending library, and evenings set aside for reading and discussion. There are also two purely political groups which are very active at election time; the Women's Reform League, a conservative and comparatively strong body, and the Women's Political League, which is more or less Liberal in its adherence.

Moreover, it seems true that the relationship between the sexes is increasingly found to be upon a better footing. Men are now found discussing with women topics of general interest and importance, politics, economics, and the feeling of comradeship is more and more prevalent; in fact one girl remarked, apropos of the tendency towards later marriage there, "Oh, yes, the men know the girls too well to be in any particular hurry about that!" In family life, too, the same thing is gaining headway, for it is often said now that instead of being obliged to go elsewhere for conversation and discussion, the husband tends more and more to stay at home.

As for the old slogan about women and the home, it may be said that the latter is far from being neglected. In fact, with the scarcity of domestic servants, many women who would otherwise employ them, are found

doing all their own housework and caring for the children as well, so that the great mass of women are even more employed within the home than would be the case in other countries.

The elections themselves, due to the presence of women, have greatly changed in character. From the rowdy horse-play of former times has evolved the peaceful and orderly polling booths of today. The percentage of women recording their votes has been at each election very nearly as large as that of the men. In the last general elections 82 per cent. of women, out of the 98 per cent. registered, voted, as compared with 84 per cent. of men casting their ballots from the 99 per cent. who had registered.

Juridically the position of women has shown much improvement since 1893. The divorce laws are now similar for men and women, a legal separation can be obtained summarily and without expense, and by the Testators Family Maintenance Act, a man is prevented from willing away his property without making suitable provision for his wife and family. And further, women have been admitted to the practice of law in the courts. On the other hand there are still legal disabilities resting on women which have yet to be removed. Co-guardianship of children is urgently needed, a father having now sole right over the children of the age of three months and over. Women are still prohibited from sitting on the jury, acting as magistrates, or of becoming members of Parliament.

The degree of influence which the women's vote and greater interest in public affairs has had on progressive legislation is very difficult to estimate. However, there is no doubt that it has been in a large measure due to women that certain laws relating to the welfare of women and children have made their appearance since 1893.

Among these the following might be mentioned: a Married Women's Protection Act; an Infant Protection Act; amendment in Industrial Schools Act; an Act to regulate the adoption of children, and another to regulate that of Servants' Registry Offices; establishment of Technical Schools; old age pensions for both sexes; amendments to Factory Acts, giving girl apprentices better wages, and by which the health and interests of shop girls are safeguarded; an act raising the "age of consent" from 13 to 16 years; a rigid law against keepers of places of ill repute; appointment of female inspectors of factories, asylums, and other institutions; laws also against sweating and gambling; an act safeguarding the sale of foods and drugs and regulating that of opium and tobacco; the registration of nurses and midwives; and the Public Health Act, the regulating of sanitation, the prevention of infectious diseases, and the inauguration of a State Department of Public Health.

Although the hopes of the most optimistic prohibitionists have not been fulfilled, there has been a decided and growing gain in the no-license vote at the local-option polls. In the National Prohibition referendum taken for the first time in 1911, 55 per cent. of the votes were recorded for prohibition, but as a three-fifths majority is at present necessary, the measure was not allowed to pass.

In spite of all that has so far been said our over-optimistic suffrage friends in other lands must still be warned that gaining the vote is only a step, though undoubtedly a good one, in a far larger and more complex movement. It is too often forgotten that the Parliamentary emancipation of women is merely a part of the great Feminist Awakening. The raising of womankind from the position of subordination in which she has been held in ages past cannot be accomplished in a day. Twenty years of the political franchise for women still leaves them, in New

Zealand, with the great sex and economic problems of womanhood far from being solved. They are subject to the sex passion of the man hardly less than elsewhere. Prostitution, though not so open or police-protected as in America, and though hiding its head, still plays its part.

Back of the sex problem is the economic one, and in New Zealand women's economic independence has had little thought among the many. Working for long hours at household labor, much of which is always distasteful, many women of the working class receive no recognition for necessary labor. Thus about 81 per cent. of the female population are economically dependent.

Fortunately, there are a few far-sighted women who see the larger field for woman's activities and strive to awaken their sisters to bigger issues. There are those, particularly the woman doctors, who see the advantages which would come to women and to the community from occupation, on the part of the weaker sex, in other work than their isolated housework. But fifteen years of agitation for the suffrage was not sufficient to educate women to a sense of their larger position, responsibilities, and opportunities. From the experience of New Zealand it seems, however, that women, when once aroused, are no more conservative than men, and that on moral questions they can be far more easily moved to the side of reform. In the Social Democratic Party, including the trades unions and branches, about 20 per cent. of the members are women, and in the branches alone from 40 to 45 per cent. In a country where the male population outnumbers the female, this is by no means a bad showing. The response to a call for a woman's meeting is often better than that to a man's, and the women are continually having experience in organization and executive affairs. But the proportion of them whose feminism penetrates beyond the political horizon is as yet very small.

SOCIAL LEGISLATION AND LABOR CONDITIONS

CHAPTER VI

SOCIAL LEGISLATION AND LABOR CONDITIONS

1. Old Age Pensions

THE problems presented by the aged are of comparatively recent date. Formerly those who survived after the ages of 60 or 70 were either still capable of earning their own living, or if sick or infirm, were maintained by their children or relatives. With the advent of modern industrial machinery, the worker nowadays, overstrained daily by the high pace required, and fatigued by the monotonous specialty of the work demanded, finds himself or herself often at the age of 65 or 70 on the list of the incapacitated. The employer in New Zealand, compelled by the Arbitration Court of Awards to give higher wages and shorter hours to his workmen, is obliged for economy's sake to procure the most efficient labor possible, the older worker, lacking the energy and alertness of his younger competitor, finds himself thus forced to join the unemployed. Moreover, through the acquirement of greater medical knowledge, those who formerly would have been stricken down by industrial diseases, accidents, and severe illnesses may now survive only to emerge unable to support themselves. Previously, to a much larger extent than now, these latter were maintained by their relatives; but families are becoming more scattered under changed conditions, and with increased rents and prices, are less able to sustain the aged. It will, however, be seen that without the condition of comparative poverty, which precludes the pos-

sibility of laying aside savings for just such contingencies, these facts would cause no difficulties. But such poverty was found to be present in New Zealand, though to a lesser extent than in the older countries. Uncertainties of pioneer life, rapid alteration between times of prosperity and depression, irregular employment, and in addition a defective system of public out-door relief contributed to make want felt among a certain group of the community. Since 1885 the Hospital and Charitable Aid Board had endeavored to meet this problem, but their method of out-door relief for destitution seemed to aggravate rather than mitigate the amount of pauperism, and moreover proved extremely expensive to the community. On the other hand the New Zealanders were far from desiring to copy the disastrous experiences of the English in their work-houses for the aged poor. Old age pensions then seemed the more reasonable, democratic and sane way out of the difficulty.

From 1896 when the Liberals first brought down their Old Age Pension Bill, till 1898 when it was passed, this measure was more bitterly contested than any other not excluding the graded tax or land resumption bills. It involved the question of a more equal distribution of wealth, taxing those best able to bear it—the great land owners and the moneyed class—in order to raise the necessary funds to support those in need during their old age. The Liberals contended that this maintenance ought to be given as a right, not as a charitable dole, to those who in their younger days had worked for the general good in the industrial field, and who had led to some extent sober and honest lives. An insurance scheme was out of the question. Wages were too small, especially through irregular employment, for the workers to bear even the partial cost. Furthermore, it was argued that there really is no such thing as a non-contributory scheme. The

taxes on ordinary household commodities are paid for, and often heavily so, by the worker and his family. On the other hand the Conservatives urged instead a contributory insurance scheme. Thrift, they cried, must at all costs be encouraged among the people. The worker himself should save for his old age, so that self-reliance and enterprise would be fostered. It was the old cry that has been raised in so many countries before this, and opened up the much disputed question of thrift. But the opposers of the bill failed to see that the means to thrive are often better realized by wise expenditure than by saving. Would not better food, or more comfortable surroundings nurture growing children more fully than to have withheld these necessities to growth and development? And how is the average worker, on a wage of 30 shillings ($7.50) a week, a third of which will be swallowed up by the rent, to save wisely or be thrifty in the true sense of the word? It certainly seems that while the distribution of wealth is so unequal; while one class is more than able to bear the expense of such pensions it would be unjust to further tax the all too small earnings of the workers. If the latter spend unwisely, and if it is true that a temptation to squander during the years approaching the pension age would be present, we must remember that the hope and cheer engendered by better prospects ahead do much to encourage self-respect and added thrift in the earlier years. If we would promote more wisdom in the disbursement of their means, we had better strive for saner education, the fostering of better customs and a higher example set by the well-to-do than is given at present, instead of making the part of the laborer the more difficult in the vain hope that smaller means will invigorate and inspire.

It was also proposed that the pensions should be universal, thus removing from them the possible stigma of

charitable relief. However, the cost would be so immense and moreover so unnecessary in many cases that it was not considered practicable.

The Old Age Pension Act, passed in 1898, put forward as its preamble the following declaration:

"WHEREAS it is equitable that deserving persons, who, during the prime of their life, have helped to bear the public burdens of the Colony by the payment of taxes, and to open up its resources by their labor and skill, should receive from the Colony a pension in their old age."

However Socialistic this preamble may sound it must not be forgotten that old-age pensions, together with so-called labor legislation for the benefit of the proletariat class, are also ultimately to the advantage of the capitalist class. The far-sighted manufacturer or merchant, represented by the Liberal Party, expected, through the granting of old-age pensions, to lessen the larger expense which the State would ordinarily have to pay in charitable relief work for the aged, and also to enable the worker to content himself with his present conditions, wages, and the existing scheme of things. Thus such measures are not truly Socialistic for they do not tend to break the capitalistic system or really equalize wealth, and may be used to make labor more efficient and therefore more remunerative to the capitalist class.

The qualifications embodied in the Act can be formulated under three main heads:

Those of age, desert, and means. In brief they are the following:

(1) Applicant must, if a male, have reached the age of 65 or, if a female, the age of 60, or the age 60 or 65, respectively, if supporting two children or more under the age of 14.

(2) Must have resided continually in New Zealand for the past 25 years, occasional absences not exceeding 2 years are allowed. Have 12 months' residence immediately preceding the application.

(3) Imprisonment for 4 months within the preceding 12 years, or on 5 occasions for an offence punishable by 12 months, or 5 years' imprisonment during the past 25 years is prohibitive.

(4) The applicant must not during the past 12 years have deserted his wife (or her husband) and children.

(5) A sober and reputable life must have been led during the preceding year.

(6) The yearly income, if single, must not reach £24 ($120), and if married £100 ($500).

(7) The net value of accummulated property must not be £260 ($1,300) or over.

(8) The applicant must not have deprived himself or herself of property or income to qualify for a pension.

The above statements having been filled out are, on application, verified by the Registrar of the District.

Unsatisfactory as of course these formal restrictions must inevitably be, they have been thought to answer as well as any other the purpose of encouraging soberness and lawful living and of eliminating the supposedly undeserving.

The pension itself which is paid in 12 monthly installments at the local Post Office is comparatively small, the largest sum disposed of being £26 ($130.00), which is reduced by £1 ($5.00) for every £1 of income over £34 ($170.00) possessed by the applicant, and also £1 for every complete £10 ($50.00) of net accumulated property. (We are allowing $5.00 here, roughly to equal £1.)

The success of the scheme seems to be generally admitted. At first a few frauds and impostures occurred

but little by little with the aid of amendments, the Act has come to work very smoothly. The "signs of demoralization" which the Conservatives so seriously apprehended have failed to materialize. In answer to those who expected a general spending debauchery to ensue among the likely pensioners, it may be said that as far as the Post Office Savings Bank accounts are able to show, no adverse effects have been felt. In fact not only the number of depositors has increased in greater proportion than the population in the last 15 years, but also the amount deposited has grown considerably. Moreover, it must be remembered that even if such were not the case a more liberal expenditure might in many cases promote the best means for thriving.

The number of pensioners in 1913 was only 1 2-10 per cent. of the entire population, but the cost to the community has more than doubled itself since 1905 and now amounts to 7s. 5d. ($1.85) per head of population. The growth, however, in both the number of pensions, and therefore the total cost, is somewhat explained by the fact that recently more of the Maoris have been availing themselves of the benefits of the Act. It may seem strange that the sum of actual expenses of the Charitable Aid Board has, instead of decreasing, actually increased since the coming of the old-age pensions. But this is undoubtedly due to the fact that these Boards have become more efficient than formerly, and have extended their aid with enlarged and improved institutions, etc. The cost of the outdoor relief, as was hoped, has been reduced.

As to the attitude of the pensioners themselves towards such donations from the Government in general, it may be said that they accept the pensions quite naturally and without any feeling of shame. Based on the principles of rightful recompense, the majority seem to take them

thankfully as such, though there are cases where application is declined from the quite healthy distaste of receiving public aid even in old age.

There are one or two criticisms that might well be made of the systems of pensions for the aged existing in New Zealand. In the first place no provision is made for incapacity at an earlier age than 65. Is it not unwise that one suffering at the age of 55 for example, some disability which to all purposes renders him as the aged, should be debarred from receiving his recompense, while at the same time strong and still energetic workers may be receiving the pension merely because they have passed the age required? Invalidity at any age, as in the German and French systems, ought to be the sole qualification for securing a pension. Secondly, the amount of the pension seems altogether inadequate in these days of high prices and extortionate rents; £60 ($300.00) per annum at the most if single (and possibly as scant an amount as £30—$150.00) and only £100 ($500.00) if it includes a couple living together, seems a small sum indeed. The idea of course was to lighten the expense to the State, and also theoretically to offer some, but not too much, encouragement to would-be pensioners. With more stringent income taxes added to revenue from greater taxation on unimproved land values, the cost of larger pensions might be borne, so that as now the aged worker would not find himself or herself dependent at best on a very scanty subsistence. Besides, as prices and rent slowly climb up year by year, ought not pensions too to be adjusted to meet the new demands upon the purse? Again, it might be said that under the existing hardships and inequalities of our present day society, imprisonment or drunkenness may not prove a man undeserving. Circumstances should alter cases. Again, why should 25 years of residence be obligatory? It

hardly seems just that a man emigrating in middle life should be forced to forego the pension because perhaps only ten years have been spent in New Zealand.

2. Widows Pensions

The Widows Pension Act which came into operation in 1912 is based very largely on the same principles as the Old Age Pension Act. The same arguments concerning the effect upon the character of the recipient were used here, too. Some, however, it will be noticed, do not apparently consider that a certain amount of poverty would be a very good thing for the building up of self-reliance and character among their own wives and daughters! In fact the energy which they often exhibit in acquiring and keeping their all too precious wealth leads one to suppose that on the contrary they regard economic security and financial backing as being most conducive to self-respect and thrift.

As the welfare of the child more and more came into prominence it was felt by the Liberals and others that women should not be forced, in the event of the death of their husbands, to leave their children and home uncared for in order to go themselves to seek remunerative work elsewhere. The labor of housekeeping coupled with child rearing was sufficiently necessary and important to the community to be considered worth recompensing if other support were lacking. It will be seen, however, that if the work of child caring and house tending in itself was considered worthy of public remuneration, nothing short of pensions for all mothers would have been deemed adequate. However, in this instance it appears that the object in view was rather the most economical way of preserving the health and strength and efficiency of the growing child. Merely from a business point

of view, the wisdom may be seen of securing for the growing generation of workers the best means whereby they may be tended and cared for, so that their potential industrial value may not be dissipated. Of course, on the other hand, benefit to the family itself is obtained though the pitifully small sums donated must fall far short of securing to the child or children adequate means of obtaining really good food, shelter, clothing and recreation.

To a widow (including women whose husbands are detained in mental hospitals) with one child, the pension is £12 ($60.00) a year, with two children it would be £18 ($90.00), with three, £24 ($120.00), and a widow with four children would receive the amount of £30 ($150.00) per annum. These sums, however, are subject to a deduction of £1 ($5.00) for every £3 ($15.00) of the annual income of the mother in excess of £30 ($150.00), though personal earnings which do not exceed £100 ($500.00) are excluded.

The qualifications are less rigid than those for old-age pensions, the applicant being merely required to be a British subject of good character, and for children born before arrival of parents in New Zealand ten years residence is necessary.

It is too early to be able to make any comments on the act in practice, and doubtless as time goes on amendments may be found necessary. Over one thousand widows were in receipt of pensions at the close of the first year which gives one some idea of how great the need must have been.

3. Workers' Compensation Act and Government Accident Insurance

Previous to 1908 the employers of labor under the old

Employers' Liability Acts were only responsible for industrial accidents when it could be proved that these arose out of the negligence or carelessness of the employers or their agents. However, such negligence was very difficult to verify so that the injured worker and his family gained little advantage under the Liability Acts. Moreover, in most cases, casualties are not the outcome of any unusual carelessness on the part of the employer, but arise rather out of risks incurred in almost every branch of manufacture. The Workers' Compensation Act of 1908 went a great deal further than this. An accident to a worker is considered to be a risk which the employer has taken upon himself, and the cost of which must be paid out of the profits of the business. Any injury received within the grounds of an industry must be compensated for, no matter who seems individually to be responsible for it. The burden then of such industrial accidents was shifted from the shoulders of the individual worker, who was unable to bear the ensuing invalidity and subsequent unemployment, on to the backs of the employing class, who not only could meet this added expense but who it was thought should be held accountable for any injurious results which their business might have upon the workers.

At first, of course, some employers, particularly the farmers, were very much opposed to this new method of encroaching upon their profits. If any injury was received to a threshing machine or a plow while doing his work the farmer was quite ready to pay for it; but it seemed difficult for him to realize that the same might apply to human machines in his employ. To save any individual employer from any large expense being thrust suddenly upon him, the Government set up its own Accident Insurance Bureau with lower premiums than the then existing companies demanded, and through which the employers might most cheaply and safely insure their

working men against accident. Under the old Liability Acts the employers had, indeed, been insuring against risks in the private companies but had been deducting the cost from the men's wages. A worker had found then that he often had to bear the strain through lowered wages without receiving anything in return, and that on occasion of his losing his job he was subject over again to deductions from his wages at his next place of employment. With the coming of the Government Accident Insurance Act, however, all this was changed. Employers were forbidden to make deductions from wages on account of accident insurance, and insurance companies were forbidden to receive money from working men the benefit of which was to go to the employer. And the effect of this new government enterprise was to bring down the rates of the three companies doing Accident Insurance business in New Zealand to those set by the Government.

In order to prevent employees from intentionally incurring injuries to themselves in order to receive the allowance under the Act (as has been known in Germany for instance, under the law for workingmen's compensation) it is expressly stated that if such injury is caused by "serious and wilful misconduct" on the part of the worker, compensation will not be granted. However, in practice it is found that a very liberal interpretation is often put upon this clause; so that even those who have been warned beforehand of danger, for instance, are allowed indemnity for the damage incurred. Also it is stated that a "trifling accident" which does not disable for more than a fortnight will not be compensated. On the other hand, if the worker is injured by the "wilful act or by negligence" of the employer, he may claim his rights under the Compensation Act or as formerly merely for civil damages.

The Act is wide in its scope, applying not only to industrial, commercial and manufacturing businesses, but also to mining, quarrying, building trade, engineering, or other hazardous work carried on in behalf of an employer, and to shipowners and farmers, and even government, municipal and local activities in addition.

The scale of compensations is as follows:

(1) Where death results from the accident and the workman leaves dependents with no other means of support, the compensation is one hundred and fifty-six times his average weekly earnings, but not to be less than £200 ($1,000) or more than £500 ($2,500), or if wife and family, etc., are partially dependent a proportionate sum will be paid.

(2) The employer in any case is liable for medical and burial expenses not exceeding £20 ($100).

(3) In case of total incapacity for work a workman is entitled to a weekly payment of one-half his average weekly earnings not exceeding the sum of £2, s4, d6, per week and not less than £1 ($5.00).

(4) Where the workman is only partially incapacitated the compensation is one-half the loss of wages.

(5) In addition, medical or surgical expenses not exceeding £1 ($5.00) may be claimed.

In addition to the above payment during incapacity there is a list of specific compensation for the loss of certain limbs, 75 per cent. of full compensation for loss of leg, 20 per cent. for loss of forefinger of right hand, etc.

The compensation is payable from the date of the accident when incapacity lasts for fourteen days or more, but no payment is made the first week if disability continues for less than fourteen days. Also weekly payments are not to continue beyond six years and the aggregate amount is not to exceed £500 ($2,500).

It is also provided that "contracting out" shall be permitted; that is to say, a special agreement may be made between workmen and employers in substitution of the ordinary rates of compensation, but in order to safeguard employees from being forced into a bargain detrimental to their interests the new rate of compensation must be first approved by the Arbitration Court. Also in case of permanent incapacity, total or partial, no agreement shall be binding unless made in writing and approved by a Magistrate or Inspector of Factories.

The premiums which are paid to the employers are assessed on the wages and vary from 4 shillings ($1.00) per £100 ($500) of wages for the lightest occupations to £1 ($5.00) per £20 ($100.00) for building trades, £2.S8 ($14.00) per £20 ($100.00) for coal mines, etc.

Among other provisions of lesser moment, it is interesting to note that certain industrial diseases such as anthrax, lead poisoning, mercury poisoning, etc., are included under accidents. There are other criticisms also which remain to be made.

First, the degree of incapacity caused by the loss of a certain member, as a leg for instance, depends entirely on the kind of trade which the workman has been pursuing. The loss of a leg to a man in the building trade would be serious indeed, but to a cobbler or watch maker this deprivation would be far less grievous. And yet the scale of compensation is quite rigid, neglecting any differences in the results of an accident.

Secondly, there is no provision made for the incapacitated after the 6 years have elapsed and the compensation ceases. Also, 50 per cent. of the weekly wages seems hardly adequate when the wages themselves are usually not sufficient.

And lastly, it would seem more advisable on the death of the breadwinner to compensate the widow in weekly

installments to the end of widowhood and to each child till the age of 18, rather than paying down a lump sum.

4. Factory Acts, Shop Laws and Sweating

In spite of the fact that New Zealand was a young country, where usually high wages and better working conditions obtain, it was found in the eighties that many of the evils of the factory system that flourish in older countries were becoming prevalent. Except for a few laws passed in 1873 concerning the hours and time of employing women and the age of children in industrial establishments, there was very little suitable regulation at all. Unsanitary conditions, long hours, and low wages due to the entrance into different trades of women and children who were willing to sell their labor power very cheaply, were becoming widespread. Sweating also seemed to have taken root in Dunedin and children as young as 10 or 11 years were found employed in arduous tasks in factories and sweat shops. One cause of the early appearance of these evil accompaniments of capitalism seems to have been the general financial and industrial depression which had overtaken New Zealand at the time. Naturally, the manufacturers, many of whom were nearly forced out of business, took every advantage to pass the burden on to the worker and thus to recoup themselves for whatever loss they had already sustained. This was very easy to accomplish, as extensive unemployment and general distress made the supply of labor profuse and cheap.

The second cause of these unfortunate conditions was the lack of organized Trade Unionism. In the late eighties, however, with the help of stimulus from America and elsewhere, unions were formed and the movement grew rapidly. After the loss of the great maritime strike of 1890 their attentions were turned to political action,

and with the help of the labor adherents the Liberals took office during the same year.

Also at this time, it must be noted, a period of great prosperity was again enjoyed, so that it was fairly simple and easy for the Liberal party to set about investigating and remedying the shocking factory conditions without hurting the profits of the manufacturers. Besides, it was beginning to be realized that shorter hours, better ventilation and more comfort for the workers at home (i.e., more adequate wages) would produce more efficient, alert, and energetic workers. The employer was more than repaid by increase in his profits by this benevolent legislation.

The Factory Acts, which were put into force, are said to be one of the most complete of their kind in any country in the world. One of the best features of them is the very inclusive definition that is given to the word factory. This assures inspection and enforcement of good ventilation, ample air space, limited number of hours, etc., in almost any place where workers are gathered together. A factory is considered to be "an establishment wherein two or more persons (including the occupiers) work to produce articles intended for sale." Also all bakehouses, all laundries, all places wherein Asiatics are employed and where machinery is used are "factories" even if only one person is employed therein.

The hours for females and boys under 16 years are now limited to 45 per week (except in the woolen factories, where it is 48), 8¼ hours only in one day, and not more than 4½ without a break of 45 minutes for meals. No night work is allowed and overtime is restricted and must be paid for.

For the men, except for a few specific instances, the working time is restricted to 48 hours a week, not more than 8¾ hours per day, or five hours at a stretch. Over-

time is also limited in the case of men and must be remunerated. The awards of the Arbitration Court, however, can override these established hours, and more or less hours per week may be fixed—also conditions, holidays, etc., may be determined by special award.

The age under which no children may work in a factory has now been raised to 14 years. From 14 to 16 years children may only do factory work if a certificate of physical fitness is obtained and if they have passed the fourth standard in the public school.

It had been found previous to 1899 that a large number of boys and girls were being employed in various factories without receiving any wages, and ostensibly for the purpose of learning the trade. Later, however, on one excuse or another, they were turned out and had to find employment elsewhere, again without remuneration. In order to prevent this the Employment of Boys and Girls Without Pay Prevention Act was passed insuring at least 5 shillings ($1.25) a week under the age of 16 and an annual increase of 3 shillings (75c.) weekly after that age. Also it was required that no deduction should be made from the weekly wage.

The general conditions of the workrooms are regulated. The law requires cleanliness, proper sanitary arrangements, good ventilation, proper air space for each employee, and proper time and places for meals. Machinery must be as safe and well guarded as possible and fire escapes must be provided.

As for holidays, 6 whole holidays per year are required to be given to women and boys under 16, besides a weekly half holiday commencing at 1 P. M., which is given to all piece and time workers with no deduction in wages for the latter.

Every factory must be registered and is open to inspection at any time by the State inspection officers.

In addition "sweating" has to a very large extent been stamped out through the restriction of work done outside the factory. The greatest evil of the system—extremely small remuneration—has been remedied by the Arbitration Law by which any body of workers may obtain an award regulating their wages to a more equitable scale.

The Shop and Offices Act of 1904 regulates the hours of shop assistants so that they may not exceed 52 per week or 9 hours a day, except on one day in the week when they may amount to 11. A warrant from the inspector is necessary for any overtime work which must, however, be paid for. The Employment of Boys and Girls Without Pay Prevention Act applies also to shops and offices. It is also stated that shops are to be left clean and well ventilated and that seats shall be provided for shop girls which they shall be allowed to use at reasonable intervals.

Weekly half holidays are in force, the day arranged by the local authorities being usually Wednesday, Thursday or Saturday. By mutual agreement, however, these half holidays may be allowed to accumulate for 3 months when a full week's holiday must be given.

The Shop Assistants may also appeal to the Arbitration Court for redress of grievances and further regulation of hours and conditions.

Regulation of shops is somewhat different than that of factories. Except in unusual cases no loss is suffered by the shop keepers by closing early, for the public will buy as much in the 9 hours as they would in 10 or 12, and there is considerable saving to the employer in way of fuel and light. Furthermore, fresh and unexhausted shop assistants are more likely to please customers.

5. The Labor Department

The New Zealand Labor Department was formed in 1891 principally to deal with the urgent problem of unemployment. The Labor Minister who is head of the Department is also a member of the Cabinet. The four main functions of the Department are:

(1) It relieves the unemployed by securing work for them.

(2) It acts as a channel through which the Government obtains manual laborers for the public service.

(3) It inspects factories and shops and sees to the enforcing of labor laws.

(4) It publishes a monthly labor bulletin.

The Government employment bureau is assisted by the police force who report any opportunities for employment, and endeavor is made to get men out of the cities and towns and into the country districts where they may be needed, railway fares being advanced to them for the purpose. Also in time of great depression and consequent unemployment, special effort is made to supply work on the railroads, and in times of prosperity building and construction work is carried on slowly so that employment may be given on government construction if hard times should come.

In order to make the Government employment bureau most effective, however, it should entirely supersede the private exchanges, so that not only all laborers seeking work would come to one or another of the branch offices but employers of labor also would apply there for workers and there would thus be a complete interchange of demand and supply of labor.

6. National Provident Fund

Although New Zealand has been in the forefront with

many of her laws for the betterment of labor conditions, it was not till 1911 that she joined most of the European countries in instituting a National scheme of insurance with sickness and maternity benefits. Better factory laws, better housing conditions and comparatively high wages had prevented the problems of sickness and incapacity from assuming the dimensions they had elsewhere. Moreover, the Friendly Societies, as they had at one time in England, filled the need for those able and desiring to lay by sickness and burial funds.

Unlike England, Germany and several other European countries, New Zealand did not institute a compulsory scheme. The poor man was not to be forced into paying his contribution into a fund from which he might never obtain returns. The Provident Fund was merely instituted to give those capable and desirous of insuring themselves a more economical and safer way of so doing with the benefit of a State contribution to subsidize their own. The Government was to assume the position of a National Friendly Society, providing all and more of the benefits that could be obtained from one or another of the then existing Mutual Benefit Societies. The system as instituted is open to any person between the ages of 16 and 45 residing in New Zealand and whose average income during the previous three years has not exceeded £200 ($1,000) per annum. No medical examination is given on entry and the contributions are paid weekly or in advance, the amount of the latter ranging from 9 pence (18c.) per week at the age of 17 years; 1s. 3d. (30c.) at the age of 25 years and so on if a 10 shillings ($2.50) per week pension is desired; if a higher pension, the rate will be two, three or four times as great. This pension is obtainable in addition to the non-contributory old-age pension. One special feature is the refunding of premiums if a contributor dies before the first five years, or before

he or she has reached 60 years of age. Another is the very wide latitude allowed for arrears.

The State guarantees the benefits and subsidizes the contributions to the extent of one-quarter of the amount paid into the fund.

The benefits are as follows:

(1) If twelve months in the fund, a payment not exceeding £6 ($30.00) for medical attendance on the birth of a contributor's child or children.

(2) After five years in the fund, an allowance after three months' incapacity for work, or on death of a contributor 7s. 6d. ($1.85) cents per week for each child under 14 years of age.

(3) A weekly pension at the age of 60 of 10s. ($2.50), 30s. ($7.50), or £2 ($10.00) according to the scale of contribution.

The maternity allowance is payable only if the combined income of the wife and husband does not exceed £200 ($1,000.00) per annum.

The Board which administers the fund has advertised the scheme widely, traveling lecturers visiting the various centres and personally explaining the system to the workers at the factories and work places, with satisfactory results. On December 31, 1912, 2,660 contributors were enrolled, whose annual contributions amounted to £11,726 (about $58,633), an average of £4.10S ($22); the benefits paid out amounted to £171 ($855), representing maternity grants paid to 31 contributors. The amount of the fund was £10,058 ($50,190).

What was to be the gain from the standpoint of the State and why should the Liberals have pushed this measure of State control? The attitude of the Liberal Party is very well expressed by Sir Joseph Ward, who was then Prime Minister. He said "To return to the Community

Fund: Apart from the assistance it gives to the wife and children if the father is sick, it also contributes the services of a medical man for a woman at childbirth, and the State pays $30 for that purpose. . . . This has all been done with a view of helping the birth rate and bringing into the world children under the most healthy conditions possible, so that they may have a free chance to attain man's or woman's estate. We assess the value of an adult in our country as $1,500, so *from a business standpoint and on national grounds* we regard the expenditure of a sum up to $30 as judicious when the value of an infant to the country may be 50 times that sum." (Italics mine.)

From this it may be seen that State endeavors of this sort are not leading towards, or are any step to, Socialism itself, as is shown here, but rather an advanced and benevolent form of capitalism.

As an efficient and progressive State measure, it appears to answer the needs of a certain class not too poor but that they can and will pay the premiums but not well enough off to meet the vicissitudes of life from their own incomes, and is one of the best schemes in a progressive capitalist State. Where opportunity and remuneration are so inadequate for a large part of the community, to those who see far and hope much, insurance of this sort must seem only temporary, and necessary on account of glaring economic defects which some day will be removed. With a saner, more just and more nearly equal distribution of wealth, all might, as now only a few can, dispense entirely with State aid, and depend with greater self-respect upon their own sources of income.

THE RECENT STRIKE AND THE PRESENT SITUATION

CHAPTER VII

THE RECENT STRIKE AND THE PRESENT SITUATION

THE present economic and political situation is particularly interesting because it is the direct outcome of those institutions which were inaugurated twenty years ago. They took root and grew slowly and as the public became more accustomed to them the period of experimentation was looked upon as passed. No particular turn of fortune served to test them to their limit, and whatever hostile or undermining forces there were worked silently and unnoticed. Today, however, the outlook is different. Of recent events within New Zealand certainly the most instructive and most portentous has been the strike. I have thought it well, then, to devote a chapter to its consideration and to try to analyze its nature and meaning.

The administration of the Liberal Party, which lasted until 1911, maintained things pretty much as they were for the last six or eight years. The policy of its leader, Sir Joseph Ward, was to the effect that things had gone far enough; to hold fast and reap the benefits was his idea. In 1911, however, the party was defeated at the polls and the farming interests, long out of the running, again took control.

If the policy of the Liberals had been to stand pat, that of the Conservatives or Reformers, as they now dubbed themselves, was to go backward. They frankly proposed to reform the Government by abolishing such

measures as the second ballot, by introducing retrogressive measures into the Arbitration Act, granting freehold, and other principles which met with strong opposition from a large proportion of the community. In fact the new party did not represent the majority of the people and much ill odor was attached to the methods by which it had obtained its power. The last few years of Liberal administration had discouraged rather than increased public interest in politics, and the electors of 1911 cast their votes with no very great interests to move them.

Meanwhile, in the economic field, as we have seen, the course of events had led to a decrease in the well-being of the working man, accompanied by his gradual realization that despite the numerous laws in his favor, his employer was getting the better of him and times were growing harder. These two issues—political reaction and social discontent—account for the present state of affairs the principal symptom of which was the recent strike.

The Conservatives had scarcely taken their seats when trouble broke out in a gold mine at a place called Waihi. The miners, failing to obtain redress of their grievances, cancelled their registration under the Arbitration Act and downed tools. Fresh laborers were sent, together with strike-breakers and armed police. The original workers, though they had incited no violence, were ordered to leave the town and their wives and families were badly treated. There were riotings and blood-shed, and bitterly hostile accounts of the situation were circulated by both sides. The United Labor Party itself was split into factions, it refused to recognize the strikers and its leaders went to truckling to the employers. Treachery was shouted about together with threats to smash the party and form a new Federation of Labor. Then there followed strikes at other mines, more special constables, more rioting, and a striker at Waihi was murdered.

Meanwhile, labor was awakening to the necessity for prompt amalgamation and action, and for the formation of a new federation based on industrial organization. A few spirited leaders set the movement afoot, and by 1912 the United Federation of Labor numbered 15,000 among its members. It did not take long for its leaders to whip it into a thoroughly integrate and militant organization. The Federation was built upon industrial lines, comprising ten departments, each subdivided similarly into ten smaller departments. No department, the constitution provides, shall have the power to strike without first seeking the co-operation of the national executive in an effort to secure a settlement; and no union shall involve a local department in a strike without first placing the matter unreservedly in the hands of the department; similarly, no department shall involve the Federation in a strike without first taking the same steps. Where the Federation sees fit it will employ the strike as a weapon. Realizing the importance of action in the political field, the U. F. L. held a congress in July, 1913, at Wellington —the largest labor congress ever held in Australasia— for the purpose of forming a party. The result was the Social Democratic Party which, though having separate officers and organization, is the political expression of New Zealand's industrial unionism.

Labor was now organized and militant but in the face of it the Tory party muddled along, evading real issues and passing reactionary measures. The Arbitration Amendment Bill, introduced in September, 1913, brought people to a realization of the pass to which things had come, and frequent meetings to protest against it were held throughout the Dominion. Its purport was to restrict the growth of unionism, narrow the legality of strikes, and bring the settlement of disputes under the jurisdiction of the Prime Minister. By its definition of "strike"

it bound the worker mercilessly to his employer and made it a quasi-criminal offence for him to cease work or to enter into a new agreement. This was followed by the Repeal of the Second Ballot Bill, and by the Land Laws Amendment Bill giving lease-holders the right to purchase and undoing the earlier work of the Government in preventing speculation in land. Demonstrations of protest were held in various centres against each of these acts, and opposition newspapers waxed more vehement than ever against the party in control. People felt that there was a storm gathering, but that the clouds would burst in the industrial field was not so generally anticipated.

The first drops fell at Wellington the following October. Friction had existed between the Waterside Workers and their employers, the Union Steamship Company, and at this particular time the shipwrights were complaining that their payment for traveling time had not been duly remitted. The Waterside Workers' Union, of which the shipwrights were a part, sent a deputation to the Company to present their grievance, but the Company refused to receive the deputation and thereby committed a breach of the agreement. The workers called a stop-work meeting of one hour and twenty minutes to take council upon the matter, but when they returned to work the shipwrights found their places filled by other men.

The Company turned deaf ears to further deputations and the Waterside Workers refused to resume work until the deputation in behalf of the shipwrights was recognized. The employers then tore up their agreement with the Union, and though the workers now offered to resume work under the old agreement, claiming to insert nothing new, the Company refused except upon the condition that the Union be dissolved. Nothing came of it. Meanwhile a week passed while the streets were filled with unemployed; sporadic meetings and street corner

speeches became popular, and the ships lay idle in the harbor, the butter and cheese rotting on the wharves.

On Sunday, November 2, Wellington awoke to discover that she had been invaded by an army of mounted constables. Battalions of rough-and-ready young farmers swarmed the streets, mounted and armed with revolvers and batons. The following day preparations were made to work the ships under military guardianship, and it was feared that if the Union showed resistance there would be trouble. Rioting took place and there was some smashing of windows, some cudgelling, and some shots fired and a few arrests. After that the course of events went more smoothly.

The sympathy among the workers of the Dominion, aroused by the Wellington lockout, was not slow in manifesting itself, and helped to spread the area of the disturbance. Bootmakers, general laborers, timber workers, tramway men, miners and grocers' assistants sent in declarations of their sympathy and support, and in many cases voted money to help the cause. Then the lockout became a strike, and the sympathy expressed by other unions turned into active participation.

The employers now made the stipulation that they would reinstate the Union upon its acceptance of an amendment to their agreement to the effect that any breach thereof should be punished with a fine. This the Union could not do without first consulting the Waterside Workers, and they therefore appealed to the U. F. L. Up to this point it had been a dispute between the Wellington Union and the Union Steamship Company; it now became a national affair. Every effort was made by the U. F. L. to effect a hasty and peaceful settlement and it offered to meet the Employers' Federation in conference. A conference was held under the presidency of the Prime Minister, and the U. F. L. agreed to the

amendment stipulated by the employers. But the Employers' Federation declared that they had changed their minds and refused any settlement except at the hands of the Arbitration Court. This the U. F. L. could not accept, and despairing of hope from political quarters, directed its energy into the industrial field. It declared for the general strike.

Waterside Workers of Lyttleton, Auckland, Dunedin and elsewhere ceased work, miners downed tools, drivers went on strike and as the area spread it looked indeed like a general strike. Declarations of support came from Australian unions, and in Sydney the Watersiders refused to unload ships which had been worked by scab labor in New Zealand. Many ships remained unloaded, coastal trade was held up, mail was often delayed, prices on many necessities went up, and it could be felt that the disorder had grown to national and very grave proportions.

Meanwhile, the employers were not idle. New unions had been formed under their direction at the various centres of unrest, and in Auckland, Wellington, and Dunedin the streets swarmed with mounted constables. Haranguing at street corners and frequent meetings of the workers in the public squares were the order of the day, and weekly demonstrations were held in the parks and theatres. At all these the special constables were much in evidence circulating about the crowd of listeners and swooping down upon the first speaker who expressed himself intemperately or too plainly.

Parliament, meanwhile, was in session and all eyes were turned to it to see what it would do. Committee after committee was appointed by the Prime Minister to seek common ground for settlement, but in vain. Liberal members protested, but the Prime Minister insisted that if he be but left alone to manage affairs, it would be to the advantage of all. The utmost, he said, was being

done. The Labor members and the one representative of the Social Democratic Party were narrowly restricted in their freedom of speech. The next stage was the arrest of the labor leaders and agitators on charges of seditious language. But the effect was not wholly what the Government had hoped, for it served to a large extent to create sympathy for the strikers. Many of the labor leaders had done their utmost to conduct the proceedings upon peaceful and orderly lines and it was felt that they were no more guilty of inciting riot than were the constables themselves.

Following upon this occurred the sudden death of a Liberal member of Parliament, leaving the Lyttleton electorate vacant. The seat was at once contested and the Social Democratic Party entered their man and he won. His victory served to revive enthusiasm but the strike had already shown evidence of decline. Under the prolonged drain, funds were running low and men were growing restless. The employers had formed a new union and were slowly reviving their paralyzed industries, the possibilities of a successful issue were dim, and in spite of declarations to the effect that they were not downhearted, one could feel that at least many were growing half-hearted. One by one the unions succumbed. A final appeal made by the United Federation of Labor to meet the Employers' Association was refused, and on December 19th the strike was declared off. The men sought work where they could but they were badly beaten. The farmers who had come to the cities as special constables returned to their farms, and urban life took on once more its customary tone.

Such in brief narrative was the course of the strike. To the casual observer it would appear as a deliberate attempt on the part of labor, after having organized itself on a national scale, to strike a blow at capitalism

by united action and make a great stride toward industrial democracy. As a matter of fact the very opposite is the truth. The strike was deliberately planned by the Employers' Federation and forced upon the workers against their will. It was effected by capitalistic interests and conducted by them, on the whole very successfully, for the purpose of crippling the new labor movement before it was well started.

The employers had watched with growing concern the recurring strikes of 1908 to 1912. Up to that time labor had been passive enough under the Arbitration Act and other measures, which had temporarily improved the lot of the workman, but the recurrence of the strikes showed up not only the palliative nature of these measures but manifested an aggressiveness and militancy on the part of labor which had not been seen for years. The workers had been united in their unions but the July Congress of 1912 launched them on a new and more progressive course and one more likely to prove noxious to the employers. The bonds of labor were drawing closer, capital in self-defence must follow the same course.

The employers were united, as were the laborers, in their associations and these were linked together in the Employers' Federation. But they needed more. In a speech of the Chairman reported in the Official Journal of the New Zealand Employers' Federation are the words:

"I should say first that we want wider and better organization and we want consolidation. That is to say, we do not want to be broken up into so many different bodies. We want to have the bond between us drawn closer. . . . In regard to the Defence Fund I am of the opinion that this should be common to the whole of the Dominion."

The Defence Fund mentioned was an expedient for the purpose of suppressing industrial disturbances. In the words of the Journal:

"There is imperative necessity for united action in devolving some means by which the large industries of the country might be protected from the unreasonable demands made by labor organizations."

On the other hand, the United Federation of Labor was young and frail. Still in a nebulous condition it was having great difficulty in increasing its ranks and was still smarting under the defeat of the Waihi miners' strike. It numbered only a few unions within its ranks and it was not an easy task to enlist new ones. Therefore, the one issue which the United Federation of Labor sought to avoid until it was mature and fairly established was a general strike. Quite contrary to the opinion circulated by the Capitalist Press to the effect that the United Federation of Labor was seeking to stir up strikes, it constantly threw its weight on the side of peace, played the part of the conciliator and more than once prevented the inception of trouble. Its leaders wisely saw the necessity of an era of peace if the organization was to grow.

But this the employers realized too. Consequently, the conflict when it began on the Wellington wharves took the form of a lockout and not a strike. The first to break the agreement there was not the Waterside Union but the Union Steamship Company. It was broken twice by not allowing the shipwrights their full time, and by refusing to receive a deputation from them. The discharge of the workers upon the ground that they had held "stop-work meetings" was a mere pretext. Such meetings had been frequently held at previous times without any objection on the part of the employers, because it was the only

opportunity the men ever had of meeting together. Though the workers offered to resume work under the old agreement and asked for nothing new they were refused work unless they reorganized and did so along lines dictated by their employers. This, of course, involved the basic principle of unionism, the right of self-organization.

Now the United Federation of Labor, when appealed to by the Union, was placed in a difficult position. It wished above all to avoid strife and yet it did not dare to refuse aid to a union in difficulty. For, unions considering the advisability of joining the Federation would say, "Look! you promised help to a stricken member and you did not give it." Strictly according to the constitution the Federation was not obliged to take up the cause of the Wellington Waterside Workers' Union, but the force of circumstances was too strong, and opinion among the Federation members demanded it. There was just a touch of over-confidence and bravado in their blood. Their officers, as has been said, rather than involve the Federation in a strike, offered to accept the amendment dictated by the employers providing for the punishment of breaches of awards; but the employers withdrew their offer and refused. The Federation, therefore, declared for supporting the Union. Failing in their official capacities the officers of the Federation did what they could personally that the affair might be conducted upon an orderly basis. They sought conference with the employers and with the Government, they appeared at meetings and counselled the workers against violence, and they issued appeals that during the strike the men keep away from the saloons. A committee was formed to suppress disorder and any member of the Union who was found under the influence of liquor was at once locked up until he sobered down. The officers of the Federation, however, were sent to jail for sedition.

It was instructive to note, after the strike, how general the opinion was that it could have been settled at a much earlier date. This, of course, was the opinion among labor circles, and that it was entertained also by Liberals and even among the Conservatives is additionally significant. That the employers wanted the thing to go on there is no doubt. Indeed, the words of Mr. J. J. Craig in the Auckland *Star,* October 28th, pretty well characterizes their attitude: "The only thing to do now is to make a fight to the bitter end. No matter how long it lasts, three or even six months, the employers ought to stand together and give labor and these foreign agitators, who are paid to create these troubles, a final lesson. That is the only way to get peace for a year or two. We must fight the strikers with their own weapons."

If the Employers' Federation did not want peace neither did the Government. The truth is that the Reform Party in power was not going to let a chance slip by of killing two birds, by dealing labor a sound knock and at the same time posing as the liberators of the country from the throes of industrial war. Those who really precipitated the strike were not the workers but the employers.

To judge of the more far-reaching effects and results of the strike is not an easy task and involves a degree of speculation. For the party in power it probably has proved to be a serious shock. Imprisonment of the leaders was a false step and the spectacle of mounted constables, with gun and baton, taking possession of the streets of the main cities has excited no small amount of resentment on the part of many city folk. The Reform Party is predominantly the farmers' party, yet even among many of the farmers there is a feeling of a distrust towards it. The farmers were compelled to come to town that they might load their cheese and butter on

to the boats; but that was not all. I quote from the statement of one of them: "We did not want our butter to rot on the wharves or on the ships, as it is our livelihood; we came to Auckland for that purpose only. When we came to Auckland we found that we had to do ordinary police duty, and be prepared to handle all goods, which was contrary to our agreement altogether. . . . I have had my eyes opened now, and realize that we have been made use of by the merchants of the city to crush the workers in their effort to obtain fair treatment."

And even among many smaller land-holders, not so intimately connected with the crisis, there is a growing opinion that their party is not doing what it could to free them from the tyranny of the Shipping Combine. The returns on the Lyttleton election gave ample evidence of this in that quarter at least. But the existence of a Social Democratic Party has split the vote of the Liberal Party and thereby added to the strength of the Conservatives.

For the Employers' Federation it was without doubt a great victory. They united to achieve success, and they succeeded in making the public feel that when labor goes on strike it (the public) must suffer. At the same time it served to aggravate the antagonism felt by labor towards capital. If the epithet "lawless" has been applied to the workers, they in their turn smarted from the knowledge that their employers were quite as deserving of the term. The demand made by the Union Steamship Company that the Wellington Union be constituted under the Arbitration Act was an attempt to coerce the workers into a position against which the law was supposed to protect them; at the wharves also shipping laws were suspended, discriminations made, and liquor illegally sold to the special constables and strike breakers. More grievous to the unions and more detrimental to their cause

was the formation of scab unions which, contrary to the provisions of the Arbitration Act, limited their membership to suit employers. The constitution of a scab union was drafted January 6th at Christchurch by the employers of the Lyttleton Waterside Workers and formed by them an hour later at Lyttleton. The instrument allowed no autonomy to the Union. Similar ones were made at other centres.

For labor the outlook is not fair, nor yet need it be entirely discouraging. The United Federation of Labor has been dealt a severe blow. Unionism has been hard hit and many workers are still refused employment avowedly because they partook in the strike. Yet the educational effect of a strike is not to be overlooked. Though many may still feel that the blame rests upon labor, there are also those, and they are more numerous than before, who recognize that if the strike is the cause of the trouble there is yet another cause behind that cause, which is that the employer so treats his workmen that they are forced to strike. Not a few of the farmers who came to town regarding the worker as a hot-headed, disconsolate menace to the community, returned with quite a different attitude toward the justice of the strikers' cause. And the same may be said of other sections of the community. The working man himself does seem despondent but his energy is not impaired and the work towards consolidation is progressing somewhat more energetically than before. Indeed, he realizes more than ever the necessity for organization and unity. The United Federation of Labor and the Social Democratic Party have thus received an added impetus. Similarly that section of labor which looks askance at political action or even repudiates it entirely has been taught that the Government is a very real and potent force and that in the hands of its controllers it may be used to great effect.

More attention will be given probably to the Social Democratic Party.

That labor is organized upon a sound and efficient basis is the most hopeful element in the workers' horizon. Its tactics are ideal for in its double nature of industrial unionism and political party it combines the two elements necessary to insure its progress. The exclusive use of industrial action as long as the capitalist class control the law and the forces of the army and navy must prove ineffective; while political activity alone has already resulted no better. A labor organization such as the American Federation of Labor having no clearly defined political program or machinery with which to execute it, is a prey to the "Liberal" and "Progressive" politician and the compromising capitalist. The funds of its very members may be used against it and its leaders are apt to become the tools of the employers. On the other hand, the Socialist Party with no well defined economic foundation is equally open to the corrupting influences of politics. As Tom Mann has said: "If it pins its hopes on the passing of laws (it) tends always to degenerate into a Reform Party." Its leaders become hungry for office and keen for votes. The British Labor Party is an example of this danger. The Labor Party of Australia got into power, but once in it was powerless to carry out its program. It had to spend all its time and energy in sticking on to office and preparing for the next elections. The political party must be something more than a loose aggregation of voters with diverse and conflicting interests. Its agents in Parliament must be the focus of organized economic interest. The New Zealand Labor Movement thus enjoys the merit of being constructed upon an industrial basis for the purpose of achieving its industrial freedom, while its political party in Parliament is manoeuvring to prevent the arm of the law being used against it.

There is yet another aspect of the strike which has received little general emphasis, but which will tend to become more manifest and will more directly influence future development. After the abolition of the Provinces it did not take long for New Zealand to grow into a unified community and feel herself a national entity. Though the provinces were gone there grew up under that national spirit a new line of demarcation dividing the people into groups, determined rather by industrial and economic interests than by geographical boundary. New Zealand is passing now through another stage of its evolution. The country is no longer an adventitious aggregation of sectional and industrial groups, but is in reality a nation divided into two great economic and social classes. The moment that the United Federation of Labor took up the cause of the Wellington Union and the Employers' Federation superseded the Union Steamship Company, the disturbance was transformed from a local squabble between a Company and a Union into a struggle between two economic classes. The new social alignment was established, the lines of cleavage being horizontal where before they were vertical. The employers realized this clearly, the workers are rapidly coming to its realization, while the public has vaguely but steadily begun to appreciate it. That the future progress of New Zealand will be characterized by a greater consciousness of "class struggle" it seems not imprudent to predict.

Let us not venture to prophesy any further. Whatever the ultimate outcome of the crisis may be it seems certain that New Zealand will feel the effects of the upheaval radically. It has not been a mere current episode, spasmodic as it were, a storm cloud of lightning and thunder passing over without shedding its rain; it has been rather the eruption of cumulative forces, slowly generating during this apparently prosperous decade and now taking a

more conscious and definite form. Whether it will stir the people to another decade of remarkable legislation is impossible to say; but that it has stirred people there can be no doubt.

OBSERVATIONS AND CONCLUSIONS

CHAPTER VIII

OBSERVATIONS AND CONCLUSIONS

IT remains now to say a few words about the New Zealanders themselves and their life and to give a final estimate of the success which their so-called progressive policy has achieved, and to draw what lesson we can from their experiences.

In contrast to England the preponderance of the Dominion's population is in the country. Farming is esteemed, and the more well-to-do farmers consider themselves the aristocracy of the country. They possess large estates, live in comparatively well appointed mansions, keep horses and motors for their pleasure and maintain a small retinue of servants. Their work, however, allows them only little leisure, though their wives and daughters find ample time for amusement. The smaller farmer leads a more strenuous life for he cannot afford the labor which his wealthier neighbor employs; but his life is in most respects the same. He rarely visits the city, seldom joins in social intercourse with any one out of his own class, and reads but one newspaper—that supported in his own interest. His tendency is to dislike the working man of the city and feel suspicious of the merchant and the manufacturer.

These last two have a natural antagonism against the farmer, but they are hardly suspicious of him for, being more urban, they are somewhat more astute and have a more comprehensive knowledge of the way of things in

the business world. They understand the farmer better than he does them, but they view with apprehension the rapid increase of co-operation among the farmers, and the revival of their supremacy in politics.

The shop-keepers and petty tradesmen of the cities range mostly on the side of the larger merchants in their political views. They are very class conscious and stand together in the matter of municipal politics. They are mostly averse to private ownership of the public services and favor the extension of municipal business for they hate the presence of a wealthy corporation in their midst. They regard the aggression of organized labor as a menace to the peace and prosperity of the country and heartily take their stand against it. Living in the cities where they are in close contact with labor developments they look down upon the immigrant worker, whether he hails from Scotland or Australia, as a foreigner, who brings with him a tendency to stir up trouble. The shop employees, probably because of their lack of organization, share largely the views of their employers.

What is generally termed the working class in New Zealand is of a higher level materially and intellectually than perhaps anywhere else in the world. This is the result in some measure of the relative superiority of their origin as compared with that for example of the hordes who swarm the American shores. Their economic importance, too, has had its effect, and the fact that the country is still young is also a point in their favor. With the exception of a handful of Chinese who keep fruit stores and launderies in Wellington and Auckland there is really no "foreign" element in the country. The workers are homogeneous and feel a bond of sympathy with their kinsmen throughout the Empire and especially in Australia. Dock laborers, builders and factory workers make up the bulk of the labor class, but perhaps their most

aggressive and militant element are the miners and sheep shearers, men who have played leading parts in the events of the last few years. Intellectually, they are of a high order and their prominent members are, many of them, not only exceedingly intelligent men but cultivated as well.

There is a sincerity and a simplicity among the Socialists and labor leaders in New Zealand which unfortunately one does not find in places like the United States. That selfish desire to be prominent which vitiates the Socialist ranks of New York city, for example, would not be found in New Zealand. The smallness of the country makes them feel more keenly the importance of their cause and it is rare if one of their leaders is not a fine type of man.

The typical laborer lives usually on the outskirts of the city in a very neat and comfortable little one-story house. It may be surrounded by a little plot of land which is scrupulously kept in order, the front part generally being laid out in formal flower beds. Rows of such houses, each with its plot of land, its wind-mill or ram, and a fence encompassing the whole would make up a typical suburb; the rent on them would average 15 shillings ($3.75) a week. In some relatively crowded districts, as for instance in Wellington, these generalities may not always hold good, but I was astonished at the independence, comfort and the privacy which New Zealand laborers enjoyed, who in America or Europe would be crowded into unsanitary and ugly tenements. In dress and habits the worker and his wife would find their counter-part in America among perhaps the clerks or small shopkeepers rather than the laborers. It seems right to speak at this length upon the laborer's condition, because his class differs relatively more than do others from similar classes elsewhere.

The Maoris, the aboriginal inhabitants, are an attrac-

tive, rather handsome and very intelligent race, but as an economic or political factor they count for almost nothing. After their subjection they depopulated rapidly and their descendants now either live on a territory set apart for them or work in the cities. They are a proud people and will not perform menial service, but they have a predisposition to laziness and irresponsibility. They have their own representatives in Parliament.

In endeavoring to give an impression of the people of New Zealand it has been impossible to avoid generalizations which in some cases may be rather liberal or even at variance with what may exist among some individuals or localities. On the other hand, I do not wish to overemphasize the lines of class distinction. Mr. Bryce has said of the United States, "The nation is not an aggregation of classes; they exist within it, but they do not make it up." This is far more true of New Zealand than of the American Commonwealth, for the homogeneity of the smaller country is more complete. Also occupation and social status count for more in the United States than in New Zealand in determining a person's character and his place in society. There is less difference in New Zealand between a teacher and a banker for example than there would be in the United States. However, classifying them on the basis of the opinions which they hold upon the subjects of progress and political change, the New Zealanders may be said to be divided broadly into three classes—the farmers; the merchants, manufacturers, and petty tradesmen; and the laborers. The first two it may be said in brief are opposed to each other but are in harmony as respects their attitude towards the third. Classed occupationally, those pursuing "industrial" callings make up the bulk of the population, next come those classed under trade, agricultural and pastoral, and next to them come the professional classes.

The wealthier people are quite as class conscious as in other places and feel that through their culture, education and environment they are superior to others. Whatever they may be politically, they are socially a distinct class. They affect the social customs and conventions, in a modified form, of London society and bear exactly the same attitude toward the shopkeeper and workman as does the well-to-do Englishman. One can feel at once that there is a gulf between this set of people and the mass of the population. Repeatedly I was reminded by members of this class that New Zealand is quite free from all class distinctions and from the customs and conventions which bind the old country. Undoubtedly, these persons are quite sincere in their belief, but I do not feel that I can agree with them. A newly arrived observer will often see what the dweller does not even know exists. I do not make this observation in any derogatory spirit but merely to insist that in spite of much that has been written and said to the contrary, there *are* classes of society in New Zealand as well as elsewhere, and that they have the same political and social importance as they have in other communities. Politically, they are the most potent factors in the arena, and socially their way of living, their dress, their amusements, serve as a standard up to which the people of smaller means are continually trying to live.

In reading of the success in social legislation which New Zealand has enjoyed one might expect, upon a visit to the Dominion, to find everyone contented, solicitous about the welfare of the whole, and eager to discover the best means of maintaining their national well being. One loses these delusions very rapidly. Chat with a few shopkeepers and business men and you will hear that the rural dwellers are by no means at the height of popularity, and that these workers who have had more done for them

than workers of any country in the world ought to remain content and not make trouble. Occasional labor demonstrations, on the other hand, may lead you to suspect that labor, whatever people may say it ought to be, is not in any way contented or quiet. In the newspapers you will see caustic criticisms of the Government's actions and of the tactics of the Opposition. The impression you receive is not only that the country lacks unanimity, but that there is none of that spirit of progress which you had expected to find; on the contrary, nobody seems to agree as to what is the proper course to pursue. Emancipation from conventional ideas seems less marked than perhaps you had expected to find it and the readiness to adopt new forms is not there. The New Zealanders seem to be fully conscious of the fact that they lead the world in many ways, but they do not seem to see that during the last decade they have not advanced at all—that they have even retrogressed. There seems to be little or no pride in maintaining their lead in civilization. Rather do people concern themselves with thoughts of how they may rise in social status or make money, or dress better, or what not. Their real interests are not national, they are local and personal. Perhaps the amount of attention which they enjoyed from other peoples, who praised and imitated their institutions, has turned their heads and made them feel a little too complacent. Many people who are radically minded when they are young cease to be progressive before they are aware of it and pass into middle age fully convinced that they are still far in advance of their times. Perhaps this is so, to some extent, with New Zealand, and that reactionary politicians have even fostered and played upon this complacency.

You need but to attend two or three sittings of the House of Representatives to become quite convinced that whatever wonders may in the past have been accom-

plished through its instrumentality, it has lost all ability to generate anything very startling. Hours are wasted in the bandying back and forth of trifling personalities, and legislation is ground out in a lifeless, desultory manner. It was surprising, indeed, to learn what a very low opinion people have of their chief Representative Body.

The level of intelligence in New Zealand is high, but there is a lack of fertility for new ideas. Reforms do not easily take root. Sex problems, new theories of education, ideas of health promotion, etc., do not interest enough people to allow of their growth and propagation. But it is not, unfortunately, because the people are in these respects any further advanced than the rest of the world. In whatever points the New Zealanders *are* radical they have arrived at through necessity and not because they believe in the principle of the thing. I endeavored to make this clear in the first chapter and the statement will bear repetition, because it is so often believed that the advanced condition of the country is a result of the people's adherence to certain high principles and purposes. I do not claim that it is to their merit that they were more practical than theoretical: I merely state the case.

In Chapter II there was some discussion of the merits and demerits of State ownership of industries in the particular cases where New Zealand has had experience. Some common objections to Socialism might find a satisfactory answer in the case of New Zealand. A large number of Government employees, it is generally feared, will have an evil effect upon the Government. Such does not seem to be New Zealand's experience. It was difficult to obtain definite evidence for or against the case; but the fact that there is no very decided opinion tends to show that there is no complaint. The increase of public ownership has not caused an increase in graft;

in fact that evil as it is known in America is fairly absent from New Zealand politics. The absence of graft is not due to extensive Government ownership; but it is probably true, especially in the municipalities, that voters are additionally deliberate in choosing their public officers because the more the Government controls the more does its efficient management concern the voter. When the ballot may determine not only the cleanliness of the streets, or the construction of new wharves, but the purity of milk and the wholesomeness of meat, the housewife thinks twice before casting it. Neither can it be said to have killed all incentive. Within the Government's ranks there is as much competition to rise, it may fairly be said, as there is in any business organization. The brakeman of a New Zealand train is as anxious to become a conductor as is his colleague of the New York Central; in fact, higher managerial offices are well paid and keenly sought for. The State seems fully capable, too, of maintaining able men. When Dunedin took over the most important of her municipal works, she sent to America for a highly trained and competent man as manager, and paid him well. Except where the State holds the monopoly, it need not be said that it has abolished competition. It is in keen competition with independent coal mines and with insurance offices. In the case of the coal output the Government at one time thwarted the attempt of the private companies to put up prices by keeping her own prices down. The mere existence of State mines is now enough to keep prices within reasonable limits.

The miscellany of people which one encounters in London or Paris, one, of course, does not find in Auckland. On the other hand, a weaker person, one who in greater countries would lack opportunity for wholesome development through unemployment and miserable conditions, would in New Zealand have a better opportunity

to thrive. He would be less likely to be ruthlessly used up and cast aside.

The main thesis of this book, it may by this time have become evident, is that New Zealand's "Socialism" is very far from true Socialism. The presentation of a few facts and figures will show just where New Zealand's Socialism has failed, and to what extent the country is not really Socialistic. In the matter of land, rather than the increase of financially independent farms, the tendency seems to have been towards the increase of the number of mortgages. The amount registered in 1905 was about £11,000,000, while in 1913 it rose to a little over £22,000,000. With this rapid increase of the dependence of the farmer on the banker, ownership of a farm has simply meant the ownership of a job, and the farmer has been put into the same category as the employed worker.

An idea of the distribution of wealth may be gained by a glance at the growth of some of the industries. In 1895 the value of the meat industry was estimated at £1,653,000, and in 1910 at £7,442,000; in 1896 it employed 2,037 men and in 1912, 3,978 men. The increase in wages has been very slight and so the surplus value of about £5,000,000 has gone mostly to the investor. In the case of saw-mills we have the following figures: in 1905 value £2,128,000, number of employed 9,111; in 1910 value £2,699,000, and number of employed 6,877. In other words, the companies are earning more and have less employees to pay.

A glance at the Year Book will show that most of the industries tell the same story. In the matter of wages the figures show, in general, a slight increase, but in many cases no increase and in some a falling off. Farm laborers in the Auckland district received in 1906, 20 to 25 shillings weekly; in 1912 they were receiving the same. In the case of harvesters, wages have gone down. The

wages of shepherds have in some districts during the last decades gone up, but the majority have remained the same or gone down. Masons, plasterers, brick-layers, and carpenters get only a small proportion more than formerly. General laborers, miners, tailors and seamen receive, with small exceptions, more. It is significant that the wages of domestic servants have gone up considerably, and to this there is no exception.

Though the average of wages has then gone up, it must be borne in mind also that so also have rents and prices gone up; and there is, therefore, no real increase in wages. On the other hand, there has been a great increase in profits.

That there is a considerable disparity also in the distribution of wealth may be appreciated by reference to the figures of the Year Book of 1913. Of estates of under £500 there are about 1,000, while of estates of £20,000 and over there are 48. The aggregate private wealth in 1905 was 258 million pounds, and in 1912, 257 millions. Wealth per capita was estimated at £293 in the former year and £245 in the latter. Meanwhile, the population has increased by 170,165. Now, as the number and size of the very large estates was greater in the latter year than in the former, the figures simply show that in spite of there being more people and a great increase in business, the aggregate wealth of the community and the wealth per capita are less. The conclusion is inevitable that wealth is concentrating and poverty increasing.

Other facts corroborate these figures. There are relatively a larger proportion of people who do not enjoy to the full extent the prime necessities of life, and the percentage of unemployment, though difficult to measure accurately, has undoubtedly gone up. The percentage of drunkenness has increased, as has also to a slight extent the percentage of crime.

It is also significant that the actual number of employers is smaller than it was, and that the number of employees is larger. As I have tried to show in the chapters on Arbitration and Public Finance, the workman is receiving a smaller proportion of the wealth he creates than formerly, and that the onus of the revenue, due to the tariff on perishable commodities, falls upon the poor.

Aside from these facts there are other non-socialistic features, if we may call them such, to be taken into consideration. The State in some of the most important matters has taken no part whatever. Municipal business is not carried to the extent generally supposed. Only two cities own their trams, and the water works, lighting, etc., of many are run by private concerns. Retail dairy distributers have formed "rings" and keep prices up; the competition between hordes of petty green-grocers, fruiterers, and butchers results in waste of effort, inferior goods and inconvenience to customers; and a surplus of employment agencies results in less satisfaction both to the employer and to the man in search of a job. And further, the existence of large and influential independent Shipping companies and of Insurance companies and of Express companies, to mention only the most important concerns, leaves a large area yet to be covered by the State. And co-operation, incidentally, has not been carried on to the extent that it has been in England or Australia, being limited almost entirely to the farmers. That area which the government does cover, we may say in conclusion, it administers well and, *judging from the results which it set out to realize,* the scheme has proved a success.

There is, however, some distrust among the more radical elements of labor, of the competence of the Government to continue its course of increasing business activity. Mr. Wilson, in America, has declared that it is not

possible for the Government to deal with social problems. Of the Government as it is at present constituted that may be a true saying. Yet that the problems are going to be solved it seems very evident. There is a growing determination among the American people to change certain phases of their social life—prostitution, vice, disease—and if the Government does not alter itself to solve these problems some other means will be found.

The same may be said of New Zealand as regards economic conditions. There the complaint is that the form of the Government is antiquated and not susceptible to the treatment of new issues. It can only, as it does, treat the symptoms and not get at the causes of the trouble. One indication is the recent influx of syndicalist ideas and in the diminished importance attached to the proceedings of Parliament. It is no longer the centre of interest and the most important speeches which a politician now makes he delivers outside the walls of the House.

Is New Zealand, it has been asked, a Democracy? If we accept the definition that a Democracy means "a form of society in which the collective will can be effectively expressed in regard to any matter in which there is a collective conscious interest," we must acknowledge that New Zealand is not a Democracy. The system of voting alone condemns it, and we need inquire no further. If we employ the test of equal "opportunity" again New Zealand is found wanting, for an unequal distribution of wealth puts advantage into the hands of the rich.

In studying any community an important point to determine is to what extent the political structure coincides with the economic structure. Quite as important as the Government is that intricate, supple, but very vigorous net-work of business and finance which animates the economic life of the country—the industrial and com-

mercial world. It has its representatives, its governors, and its councils just as has the political State. They are called stock-holders, directors and boards. During the last hundred years in Europe and America this growing structure outside of the State has surpassed in strength the State itself, and its captains have been able to buy the Government, so to speak, or dictate their terms to it. In many cases they control it. Now in New Zealand the case is slightly different. The two States—the political and the economic, if we may call them such—exist quite as truly, if not in such marked contrast, as they do elsewhere. But those elements of the two which have been merged, that is, State business, are capitalistically and not socialistically or democratically administered. To be sure it is one of the aims of the Socialist to merge the two into one, to identify industry and politics. But this new politico-economic commonwealth, he insists, must be administered upon a democratic basis and not be merely the framework of a new kind of capitalism—State Capitalism.

The conclusion then to which we come is that New Zealand, because her economic life is capitalistically constructed and because she lacks political and economic democracy, is far from being a Socialist State.

One may hear it said that New Zealand is nearer Socialism than other countries, or that it is "Socialistic." But the New Zealand system allows wealth to be created and distributed by capitalistic methods, and sets about to mitigate the inevitable evils of capitalism by palliative methods. There is no attempt by those in power to radically change this system, but on the contrary every attempt is made to thwart any change. Were the State on the road to Socialism a more direct effort would be made to correct the inequitable distribution of wealth by striking at the root of the trouble and not patching up the symp-

toms. Rent, interest, and profits still exist; they have never been dangerously attacked.

The point that I wish to make clear, then, is that the very fundamental elements of Socialism are not to be found in New Zealand, and the warning I would make is that however progressive governments similarly constructed may be and however "socialistic" they may appear, the Socialist must not be deluded by their outer structure or conciliated by measures which lead merely to State Capitalism.

The truth is, I repeat, that the State Socialism of New Zealand is in reality State Capitalism. The industries which fell into the hands of the State did so at a period of rapidly developing capitalism. The consequence has been that the capitalist class, which from the beginning controlled the Government, simply administer some of the chief industries through the medium of the State instead of directly, and are now in a position to use all that additional State business for their own purposes.

Two main features characterize New Zealand's progress—State ownership and social legislation. These have turned out to mean capitalist ownership, and sops to the discontented to keep them quiet, and crutches to the lame. In 1880 Engels wrote, "The modern State, no matter what its form, is essentially a capitalistic machine. . . . The more it proceeds to the taking over of productive forces, the more it actually becomes the national capitalist, the more citizens does it exploit. . . . The capitalist relation is not done away with. It is rather brought to a head." It seems very apparent that this has been the fate of New Zealand. The Capitalists of the last few years have taken the wind out of the Socialists' sails by labeling reforms with socialist titles. It is surprising, in fact, to see how many people of all kinds and classes call themselves Socialists in New Zealand. What the

majority of them mean is simply that they approve of the policy of further State ownership and of humanitarian legislation.

This humanitarian attitude toward the worker has another side to it. There is no need to blink the fact that many Social Reforms (often called Socialistic) are put through wholly in the interest of business. The employer has learned that it pays as much to treat the laborer well as it does to treat a horse or an ox well. Sir Joseph Ward, the recent Prime Minister of New Zealand, has said that already the value of each child has been calculated. Apropos to the Annuity Fund he says, "We assess the value of an adult in our country as $1,500. So from a business standpoint and on national grounds, we regard the expenditure of a sum up to $30 as judicious, when the value of the infant to the country may be fifty times that sum." (Quoted from Walling's *Socialism as It Is,* p. 54.)

It is a mistake to think that the labor legislation of New Zealand has been entirely the result of the efficient organization of the labor unions. The fact is that that legislation simply forestalled the necessity of aggression on the part of the unions by removing the incentive to aggression. It preserved peace and the result was a huge increase of prosperity for investors. Capitalism can, indeed, do much for the reform of society without losing its grip on it. In a way it seems as if the days of repression are, for a time at least, passed, and those of deception have followed. The toiler must quicken his wits where before he had to strengthen his arm. "If society is to progress towards industrial democracy," writes William English Walling, "it is necessary that the people should fix their attention, not merely on the improvement of their own condition, but on their progress when compared to that of the capitalist classes. . . . No matter how

fast wages increase, if profits increase faster, we are journeying not towards social democracy but towards a caste society."

The Capitalists, furthermore, are as ready and quick to win over to their cause the leaders of the labor and Socialist movements in New Zealand as they have been in the United States and England. "Even when New Zealand becomes an industrial country," Le Rossignol and Stewart have said, "with great manufacturing industries and a large urban population, it should be possible for the party of property to attach to itself the more efficient of the working class, by giving them higher wages, short hours, pleasant conditions of labor, opportunities for promotion, a chance to acquire property, insurance benefits, and greater advantages of every kind than they could gain under any form of Socialism." (*State Socialism in New Zealand,* p. 305.)

I intimated that the age of repression seemed for the time passed. The latest developments in New Zealand would indicate a revival. The increasing number of fines and imprisonments for industrial disturbances, the actual imprisonments for "sedition," the passage of a Compulsory Military Service Act, the organizing of the militia for the purpose of settling industrial disputes, and the manner in which the recent strike was dealt with are all symptoms of the reviving policy of forceful coercion.

And yet New Zealand is no different than other countries. The cry for State ownership and the annihilation of big business is everywhere heard. It is the cry of the petty knights and nobility of our industrial feudalism against the oppression of the greater barons. Steps towards the conservation of human life and of the workers' energy have been taken in Europe and America, and the principles of industrial arbitration are discussed and in many cases tried. I do not mean to belittle the humani-

tarian motives which have done much to assist social reforms. They are real and very important, but we must confine ourselves to the economic and political aspects of these things.

The United States seems to be entering upon a stage of transition which New Zealand has already experienced. The fall of the Republican party and the re-entrance into power of the Democratic marks the triumph of the smaller capitalists over the greater. When Mr. Wilson says that "Business is no longer in any proper sense a private matter," and that "We are going to take possession of the control of our own economic life," he simply speaks for the great mass of smaller capitalism and all its adherents. He means that the State is going to control business. The Progressive Party is progressive in only one way. It appeals more to the humanitarian motives and lays more stress on the purity of politics, but like the Democratic Party it obscures the deeper issues, for it stands not against Capitalism, but only against one form of it. The United States has yet to pass into a new epoch of transition, the epoch of State ownership, industrial arbitration, pensions, insurances, minimum wages, and woman suffrage. After that, perhaps, people will learn that all these things count for very little if the main issue is left at bottom untouched. Such has been the experience of New Zealand, and this, surely, ought to be the lesson which that country can teach the world.

STATE SOCIALISM AND THE WAR

CHAPTER IX

STATE SOCIALISM AND THE WAR

WHETHER the effect of the present war will be to accelerate the forces of Socialism or to strengthen the roots of Capitalism is a question open to argument. Whether the close of the war will see a perfect Socialism obtaining among the belligerent countries or a further development of class distinctions within a capitalist society and growing into a caste system, is a prediction that cannot be made off-hand. Prophecies are as dangerous as bomb-shells and people who value their safety do not generally play with them carelessly. However, it may not be out of place to point out here a few facts which seem to be rather within the realms of current history than of prophecy. One or two phenomena are already evident among the warring nations which might help us to a clearer vision of the condition of things which the war will leave behind it.

A war is generally regarded as a critical time in a people's history. It is looked upon as a crucial turn of events, unlike, or rather quite contrasted to, the ordinary work-a-day life. It gives a twist or a turn to the normal development of a people's life and leaves them not quite the same as before. It is, in a sense, a revolution as contrasted to the process of evolution—the logical catastrophe toward which things have been silently going. A nation after a war will show a modified social structure,

though the germs of that structure might be discernible within it before the war. Even apparently hostile forces may pass through the war only to be welded together by it and live on after it as a single whole. Whether, then, more Socialism or more Capitalism will result from the war would be not only rash to predict but even dogmatic to say. We can no more state that *both* will survive than we can say that *neither* will survive. Is it not possible that both of them—Socialism and Capitalism, *or some features of each*—will live on together in the form of an amalgam?

State Socialism means concentration. It means independent competing economic powers coming together in agreements, consolidations, and pools and finally melting into one generally-centralized body, its economic functions coinciding with its political. It is the result of the alliance of capitalist interests—and capitalist interests only—for the purpose of common advancement in economic power, and of their identification with the political Government which they virtually own and control for their own profit. Such is a very rough portrait of State Socialism. It may vary here and there to a considerable extent, but the common characteristic of it is the amalgamation of hitherto competing bodies into a single body of conscious existence and definite purposes.

The difference between the course of civilization in our own days and that of earlier times is not so very great. There is a common trend of things running throughout all history. The early days of England saw that island divided into the kingdoms of Northumberland, Mercia, and Wessex, out of which grew in time the realm of England with its sovereign and nobility. So it was with France where during Feudal times—times of free competition in military affairs—the country was rent by the warring factions of Brittany, Normandy, Burgundy,

Aquitaine, and the smaller fiefs of the crown. Out of this grew the highly centralized state of Bourbon and Napoleonic times. So it was also with Spain in which Castile, Aragon, Asturia, and Navarre were later welded into the monarchy of the Hapsburgs. The same trend is apparent in our own era. The union of the thirteen colonies, and the birth of modern Italy and of modern Germany belong to just the same trend of things.

The underlying motive is the same. The rival units, be they kingdoms, duchies, or states, compete until their power has run its course; there arises within each a group which sees its way to power by common alliance with its fellow groups in the other units; there is common understanding and mutual assistance; and there is finally an ousting of the superior power and an amalgamation on the part of the new forces. We, however, live no longer in times of great feudal duchies and baronies maintaining their ascendency through military power and the religious submission of the people. Our day is not essentially that of battles and transfers of territorial power. The basis of our social life and our current history is commercial and industrial, not military or feudal. The fiefs of feudal days find their analogies today in the shape of Corporations, Trusts, and Companies. In the Middle Ages a man who was not able to stand on his own feet, to maintain his own estate unassisted, "commended" himself to some great lord by which act he became the vassal of the lord whose duty it henceforth was to protect him in return for service. Today the small shop-keeper who cannot keep his head above water, closes his shop and gets a job as salesman in some department store. But the lesser nobility of the Middle Ages united because of oppression from the greater and eventually effected their own ascendency to power. So today the smaller capitalists are uniting in their purpose of

ousting the Trusts from their position of tyranny. The process is one of concentration and the Government is the rallying point of the forces.

Where free competition exists society is usually split up into groups. Or perhaps it would be more correct to reverse the statement and say that where society is split up into groups there is free competition, whether it is of military forces or of commercial rivalry. Each group struggles not only to suppress its rival but to gain ascendency over the whole as well. One of two things may happen. Some single group may rise more powerful than the rest and subdue them, as in the case of the Macedonians, or the Merovingians, or of Europe under Napoleon. Or there may be a voluntary association for the purpose of mutual protection or conquest, and out of which arises gradually the ascendency of the most potent of the factors. Such was the fate, for example, of the Delean League under Athens, and of modern Germany under Prussia. In every case it is some common purpose which causes the hitherto unassociated units to come together. That purpose may be one of aggression or one of protection.

The point we are getting to is this: that the essential difference between these groups of peoples before and after their association is that where previously there had been competing units, each perhaps divided socially into classes, there are now, in general, only two classes—the ruling class and the ruled. Now the same fundamental difference holds true when comparing Capitalism of the last decade and State Socialism. The former allows of as many classes as you please, as many diversely different units as there is room for, each directing its own course and struggling against all the others. But within State Socialism, however much diversity there may be among individuals in their own personal lives, there is a fairly

distinct line of demarkation between the class of power and the class of dependence. Today, the forces which are at work to bring about State Socialism are no different in their essential nature than those which in other times have worked for association among people. There is no more effective thing than a common enemy for the bringing together of people. The Greeks united against Persia, the Italian States against Austria, the American Colonies against England, and in our day in the commercial world the smaller capitalists are uniting against the Trusts and Corporations and against the aggressions of the laboring class. This last factor in the struggle, this latest common enemy is absorbing more and more of the attention of the commercial and industrial powers. The great Capitalists, the Trusts, and the Magnates seem to be on the decline to give place to associations of smaller men. In every country there are "Merchants' Associations," "Chambers of Commerce," "Manufacturers' Clubs," and the like. They are for the purpose, of course, of furthering the interests of their members in the economic field, but they are turning their attention and resources increasingly toward the repression of labor troubles. Their energy is used now to avoid or settle labor disputes and break strikes. Such, as an example of this trend of things, was the experience of the Manufacturers' Association of New Zealand in connection with the general strike of 1913-1914. Where before, in such cases, there was union for efficiency, now there is union for repression, for class war, and the new enemy is labor.

It does not require a great deal of research to appreciate the fact that this process of association is on the increase. Functions which formerly were performed by independent companies or single individuals are now either the work of the State or of large associations of

individuals. Countries like Germany and New Zealand own and control most of the essential industries—the one manages them despotically, the other comparatively democratically. The process is already existing and if the war has any effect at all on its development it would be, it seems, to accelerate rather than to retard it.

This war stands in a curious relation to the economic world. Though born of economic competition and fostered by it, it is waged by the political machinery of the belligerent countries. It is a war of Germany against France and England, etc., and when we speak of Germany in that sense we mean the German government. For although the economic forces, the business men if you choose, are behind it, it is really the Governments that engineer the war. One factor is causing the war, another is waging it. Now one charactristic of the passing age, the age of Capitalism *par excellence,* is that within society there is a dual power—the political and the economic—the State and the business world. The one has its governors, legislatures, and judges, the other has its presidents, directors and boards. The former has in most instances succumbed to the power of the latter, and in other instances it has risen superior to it to the extent of controlling several phases of business life. Capitalism is, however, essentially a thing economic and not political, it is of our commercial and industrial life and not of the State. But of the last decade the tendency has been for the political and economic world to become more and more identified, and with the balance of power largely in favor of the latter. The rate at which the warring countries are taking over the management of the important industries is evidence that the war is actually effecting the union of these two, and the result will undoubtedly bear resemblances to both of them. Indeed, the logical outcome would seem to be a closely-knit capitalist society

coinciding with the political framework of the country—and that would be State Socialism.

The war is undoubtedly drawing into its vortex many Socialists. But if after it is over the proletariat awakes to a realization of its subverted position the other class will have to use its powers to maintain its own ascendency and repress labor. Concentrated energy for the purpose of efficiency and economy in output and management will now give way to concentration for the purpose of efficiency in power and in ruling force. Where before the war there were great capitalists, lesser capitalists, and small capitalists, there will increasingly be but one kind—capitalists. This is a war of the rulers of our economic life against each other, not of labor against labor, and the effect of it is to unite all who have similar economic interests. In the case of the workman this may not be so strictly true, for he is in most cases not alive to his class position and fooled into thinking that his interests lie with his "country." The capitalists of a country know their common enemy whether he is the capitalist of another nation or the workman within their own. They know that those two men are the men they want to get ahead of, and the effect of this knowledge is to make them join hands with their fellow capitalists and sacrifice smaller differences. And when there is war there is added excitement, sentiment, patriotism and all the emotions which help to unite man and man in a common cause. So the effect of the war would be to concentrate the energies of Capitalism and to make more definite than ever the line of cleavage between the capitalist class and the proletariat.

The crisis of the war, the immediate need of provisions, equipment, transportation, and communication has already caused and will continue to cause the ruling classes to take into their control the most important of all busi-

nesses, the primary means of existence, food, clothing, shelter, and communication. To be sure these were already capitalistically managed, already in the hands of private concerns. The change then is not from something else into capitalism, but rather from one form of capitalism into another. It is a change from dissociated capitalism to associated and co-operative capitalism. The Government which has become the rallying point of the nation is now to be the owner of these important businesses. They can no longer be allowed to go their own way. They can no longer be allowed to be run by unbridled capitalists. They must belong to the Capitalist *Class;* they must be commonly owned and controlled by that class. It is this change which is the ear-mark of the evolution of Capitalism to State Socialism, the merging of competing groups into a self-conscious, single-purposed unit. Perhaps nothing could bring about this thing more effectively than war.

As war is forcing Governments to take over the most important of our economic institutions, so, too, will the expenses of war lead countries to nationalize the most paying of businesses. There will be a limit to the extent to which taxation can go, and a limit, too, to the people's patience in bearing its burden. But where the Government owns a paying industry the burden of taxation may be lightened while at the same time the nation receives a handsome revenue. Germany at present is an example of the advantages of this scheme. Furthermore, as the Government increases its revenue and makes itself additionally indispensable to the life of the people, so, equally, does the power of the associated Capitalist Class increase. There is no rise to power of individual captains of industry, but a general ascendency of the owning and employing class over the employed class.

The management of one thing leads to the manage-

ment of others. If the Government controls output, prices, and profits, it must sooner or later settle the question of minimum wages and working conditions. But wages tend ever toward the cost of living, the employer seeking to pay no more than what his employees can live upon. The cost of living will, then, have to be determined by the Government. Then the round will be complete, the Government will control what the worker gets, what the capitalist gets, what the output will be, and what will be paid for the output. And the Capitalist Class will control the Government.

The result of the war is, of course, a thing which, until the war is over, can only be a question and not a surety. But from numerous evidences it does not seem as though the war was going to divert the course of our progress into any very new channel, or that civilization will bear an entirely novel complexion. Rather would it seem that the change will be one of degree and not so much one of kind. It will hasten us along the road upon which we are already traveling, and not divert us into an entirely new path. Such a divergence, if it did happen, would be not only unnatural and unprecedented but contrary to what evidences we have before us. As the present has its roots in the past, so also is the present the germ of the future, and what is to come must bear some resemblance to what is at present. Such a change as was attempted by the French in 1792 could last only a short time; what survived was, in all essentials, the same as before. Parenthetically, it may be suggested that this is not a question of whether it might or might not be best to attempt such and such a course or at least aim toward it; it is an estimate of what it may be reasonable to expect the outcome of the war to be.

It is reasonable to suppose that the war is going to leave its martial stamp upon the civilization which is to follow.

The fact of a nation being in arms, even for a brief period, cannot pass without leaving its mark upon the people. They become accustomed to soldiers, to martial law, to strict obedience, and to seeing things done without being consulted themselves. The victorious nations cannot easily avoid the ascendancy to high position of a military class, and even the countries which suffer defeat will be left with a military machinery vested with more than usual power. The captains and generals will not be so easy to oust from the position of prestige and power to which the war has fortuitously lifted them. They will tend naturally, as in Sparta or Prussia, to maintain and perpetuate their grip on society, by holding themselves aloof, cultivating a coterie of their own, and developing their caste into an aristocracy and the nation into a military machine.

Nor would this "Junker" class, if we might so term it, be alone and without support. Were these men alone there would be less chance for them to hold their place once the war was ended and the nation returned to the occupations of peace. It would be most natural that other interests, themselves the outgrowths and concomitants of the war, would also foster the spirit of the military class. These interests would be the munitions manufactories, steel, iron, and powder companies, and all the host of industrial and commercial businesses which profit by war and militarism. At present there is a tremendous output of war material, and fortunes are being made through investments and speculation in that field. Factories which make anything at all which the warring countries use on the battle-field or at home are increasing their output daily, and money seeking investment is plentiful in their direction. Even manufactories which prior to the war made only articles useful in times of peace, are now turning out explosives and engines of destruction. They are

remodeling their plants at great expense for the purpose of equipping the belligerent powers, and there is coming into being a class of investors and entrepreneurs whose economic interests will lie more and more in the direction of militarism. If the war should end, for what use would all their equipments and investments be?

Whether, then, the State Socialism of the future is to be colored by this militarism, depends, of course, upon the circumstances of each different country. If there is State Socialism after the war we must not expect to see the same condition of things in every country any more than we do now. There are too many diverse factors which are determining the destinies of the different nations. But if a country is drawn into the war it may seem reasonable to expect that the impress of the war will be left on its people, and that such a course of economic and social development as we have been considering would follow. The ruling capitalist class would not necessarily itself be a military caste; it would not have time for that, so to speak; it would be too busy, too much occupied with business. But it might very well support or favor a military class, one which would, of course, be in harmony with its own views, and at bottom economically dependent upon it. Such a military class might be recruited and replenished from the less active in business of the capitalists, of men born of the ruling class but whose abilities lay not in the line of industrial and commercial things. It might be considered the proper thing for one of a man's sons to "go into the army" while the other took up the business; as in the Middle Ages it was customary for one of a noble's sons to go into the church while another inherited his father's sword. The British army officers, the upper class of the army, were recruited in just this way. They were, for the most part, sons of the well-to-do; which suggests again that what changes

the war brings about will be in differences of degree rather than of kind.

There are effects more subtle which the war may bring about in the character and social life of a people, effects which would not be so easy to appreciate or to change. The declaration of war is always liable to upset the stability of a people, and as a consequence nations take precautions against it. Upon the outbreak of war two things above all else are necessary—unanimity and prompt obedience to an unencumbered authority. Factions and insubordination are fatal to a nation at war. The Romans knew this when they created their office of Dictator, and this is why the outbreak of war or any such national crisis so often ushers in a coalition ministry. People are taught that they must think together and act together promptly and under a single directorship.

Now the prolongation of this state of things breeds in people's minds the habit of thinking in just such a way. People become accustomed to obeying without questioning and to regarding the authorities as men justly vested with rights to act as they see fit and to command obedience. "Theirs' not to reason why" becomes a mental attitude of daily life and commonplace habits where before it was applied only to the crisis of war. What this will add to the economic power of the ruling class cannot be measured. But add to this the fact that the upper class will, through the press and other means, control public opinion, and it is not a very great step to the condition of things where the populace regard those at the top as being, by their own inherent nature, blessed with superior wisdom or even divine right.

It will be generally conceded that the course which civilization has taken of late has been in our economic and social life, toward a closer association of the capitalist class, increased Government ownership and operation

of the chief factors of our economic life, and a growing care and concern for the worker himself seen in social legislation, factory laws, pensions, etc. The war is accentuating all of these things and accelerating their progress, and the logical goal of all this is State Socialism.

War has always resulted in the ascendancy of a class or group ruling by the means best adapted to its own period of civilization. Those means may be religious, military, political, or what not. Today in our own civilization, those means are economic, and the ruling class will, after the war, rule by means of controlling, mostly through the instrumentality of the Government, the commercial and industrial machinery of our life. Such a framework of society will be State Socialism.

THE END

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